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FAMILY FARM DEVELOPMENT ACT OF 1980

HEARING

BEFORE THE

SUBCOMMITTEE ON FAMILY FARMS, RURAL DEVELOPMENT, AND SPECIAL STUDIES

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 6295

JULY 27, 1980
HANOVER, N.H.

Serial No. 96-PPP

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CONTENTS

Page
H.R. 6295, a bill to encourage the ownership and development of family farms, to provide for research and education relating to family farms, to authorize the President to stabilize food prices, to authorize the Secretary of Agriculture to provide financial assistance for the production of industrial hydrocarbons and alcohols from agricultural commodities and forest products, and for other purposes 98
Akaka, Hon. Daniel K., a Representative in Congress from the State of Hawaii, opening remarks 1

WITNESSES

Anstruther, Peter R., consumer, Hanover, N.H 22
Baker, Charles O., realtor, White River Junction, Vt 24
Barron, Matt L., Massachusetts Department of Food and Agriculture 10
Carbin, Richard W., executive director, Ottauquechee Regional Land Trust, Inc., Woodstock, Vt 13
Corwin, Barbara M., dairy farmer and market gardener, South Royalton, Vt 21
Corwin, Grant, dairy farmer and market gardener, South Royalton, Vt 19
Drew, Benjamin A., orchardist, Vershire, Vt 28
Drinkwater, Harrison, director of education, Hanover Consumer Cooperative Society, Hanover, N.H 12
Field, Frances W., farmer, Lebanon, N.H 8
Gallen, Hugh J., Governor, State of New Hampshire, presented by Jim Hicks 5
Guest, David, market gardener, Norwich, Vt 30
Hayslip, Robert A., farmer, Lempster, N.H 40
Keeler, Charles M., dairy farmer, Brookfield, Vt 17
Miller, Jan S., Vermont Northern Growers Co-op, East Hardwick, Vt 38
O'Brien, Robert R., sheep farmer, Tunbridge, Vt 36
Patnaude, Renee A., manager, Upper Valley Growers Association, East Thetford, Vt 32
Ptashnik, Ben, Upper Valley Center for Food Self Reliance, East Thetford, Vt 25
Taylor, Stephen H., sheep and dairy farmer, Meriden, N.H 16
Townsend, Howard C., commissioner of agriculture, State of New Hampshire 3
Underhill, Lawrence F., president, New Hampshire Farm Bureau, Haverhill, N.H 35
Van Rensselaer, Susan, Cornish Flat, N.H 41

MATERIAL SUBMITTED

Burrell, Thomas P., National Association of Landowners, Atlanta, Ga., letter of August 28, 1980, to House Agriculture Committee 66
Center for Rural Affairs, prepared statement 82
Chauncey, George A., Interreligious Taskforce on U.S. Food Policy, Washington, D.C., letter of August 5, 1980, to Hon. Richard Nolan 59
Coastal Enterprises, Inc., Bath, Maine, prepared statement 49

Page
Cohen, Hon. William S., a U.S. Senator from the State of Maine, prepared statement 43
National Center for Appropriate Technology, Butte, Mont., prepared statement 68
National Family Farm Coalition, Washington, D.C., prepared statement 73
Pelsue, Neil H., Jr., associate professor and agriculture economist, University of Vermont, letter of July 22, 1980, to Ms. Chris Abrams, staff assistant, House Committee on Agriculture 48
Schwartz, Susan, staff, Illinois South Project, Inc., Herrin, Ill., prepared statement 52
Son, R. Randal, Washington Small Farm Resources Network, Walla Walla, Wash., prepared statement 78

FAMILY FARM DEVELOPMENT ACT OF 1980

SUNDAY, JULY 27, 1980

House of Representatives,
Subcommittee on Family Farms,
Rural Development, and Special Studies
of the Committee on Agriculture,
Hanover, N.H.

The subcommittee met, pursuant to notice, at 2 p.m., at Cook Auditorium, Murdough Center, Dartmouth College, Hanover, N.H., Hon. Daniel K. Akaka (acting chairman) presiding.

Staff present: Julia W. Kogut and Carol A. Dubard.

Mr. Akaka. The hearing of the Family Farms, Rural Development, and Special Studies Subcommittee of the Committee on Agriculture of the U.S. House of Representatives will come to order. We are here to consider H.R. 6295, the Family Farm Development Act and other issues relating to the viability of small and moderate-sized family farms.

[The bill H.R. 6295 may be found on p. 98.]

Mr. Akaka. I would like to take this opportunity to thank the Forum on the Valley's Future and the Hanover Consumer Cooperative Society, Inc., for their hospitality here today. I would like to call Allie Quinn at this time.

Ms. Quinn. Thank you. Congressman Akaka and staff, we would like to welcome you. We realize you made a sacrifice coming from hot and muggy Washington to our north woods. Welcome to those who are here to testify, other concerned citizens, and members of the press.

The sponsoring organization, the Forum for the Valley's Future, is more of a movement than an organization. It works closely with the consumer cooperative and many other organizations and individuals in this reach of the country who are concerned about the trends and the pressures which are having a long-term impact on our options for the future.

We have a lot to learn from your native State of Hawaii which has shown great innovation and forethought in looking at some of these issues. People here today I think are happy to express their concerns on this Family Farm Development Act of 1980 and I would like to turn the meeting back to you.

OPENING REMARKS OF HON. DANIEL K. AKAKA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. Akaka. Thank you very much, Allie. Also we extend our gratitude to your husband for his part in helping us today.

On behalf of the U.S. House of Representatives Committee on Agriculture, its Subcommittee on Family Farms, Rural Development,

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and Special Studies and subcommittee Chairman Rick Nolan, I am very pleased to be here in Hanover to conduct this hearing on the Family Farm Development Act and other issues that are of concern to the farmers of New England. Upon being invited to chair this hearing, I initially asked myself what agricultural experiences would Hawaii's farmers and those in New England have in common. That may be a question in your mind also.

Hawaii is a State that has historically relied heavily on two large agricultural interests, sugar and pineapple. The last 10 years have seen great fluctuation in these industries, and we have come to learn that we can no longer depend exclusively on these crops, but must also turn toward other forms such as diversified agriculture. Thus in recent years we have seen rapid growth in crops such as macadamia nuts, guava and papaya, while continuing to rely heavily on the traditional crops such as sugar and pineapple.

We have seen the growth of diversified agriculture in our State in the form of an increasing number of vegetable and animal farmers. Many people today are adopting the small family farm lifestyle and I am immensely pleased by this development. I understand that many people are also turning to diversified agriculture in New England and other parts of this country. I welcome this development for the family-based farm that has formed the basis of our Nation's agriculture since its inception.

The family farmer in Hawaii and New England face many similar problems. Availability of resources, loss of prime agricultural land and short energy supplies separate us from our counterparts in the West and Midwest. In the course of this hearing today, I hope to learn first hand of the problems that the farmers of New England are facing, and how we in Congress may be of assistance to them.

In the coming months, Congress will be working on legislation of vital importance to the farmers of America. First: Congressman Rick Nolan of Minnesota, who is chairman of the House Agriculture Subcommittee on Family Farms, Rural Development, and Special Studies, has recently introduced legislation entitled, "The Family Farm Development Act," H.R. 6295. This legislation would authorize research and training programs oriented toward the technological needs of small- and medium-sized farms, would eliminate unfair tax advantages which would have worked to the disadvantage of the family farm, would provide grants to strengthen the family ownership of farms and would authorize legal services to low-income farmers and rural people. This is an important and far-reaching piece of legislation; and I look forward to the opportunity of working with it.

In addition, the Congress will begin work in early 1981 on the omnibus farm bill which includes most major farm and crop programs for the next 4 years. This legislation has historically afforded the House Agriculture Committee and the entire House the opportunity to review Federal agricultural policy and reexamine our approach to it.

I hope that all of the witnesses will feel free to comment on all agricultural issues confronting them, for this will be important input into our deliberations during the next year.

In conclusion, the family farm has been and will remain the backbone of American agriculture. Big agriculture and family farm agriculture can contribute to each other's growth. We have an exciting opportunity to exchange views today and I'm sure that it will be productive.

In the interests of assuring time for all to testify before this subcommittee, I request that witnesses summarize their statements and restrict their remarks to not more than 5 minutes. Witnesses may be subject to questions by the subcommittee after their presentation. Prepared statements in their entirety will be included in the record of this hearing. Be sure that you have provided the subcommittee staff with copies of your statement before you testify.

Again, I am delighted to be here. I know this will be a forum that will bring forth your feelings about agriculture here and your feelings about the Family Farm Development Act.

If there are no further announcements, then I'll call on the first witness, the Honorable Howard Townsend, commissioner of agriculture, State of New Hampshire.

STATEMENT OF HOWARD C. TOWNSEND, COMMISSIONER OF AGRICULTURE, STATE OF NEW HAMPSHIRE

Mr. Townsend. I have a prepared statement, and it should not take more than the 5 minutes to read.

Mr. Chairman, my name in Howard Townsend. I am presently serving my eighth year as commissioner of agriculture for the State of New Hampshire. I live on the 450-acre farm which was homesteaded by my great, great, great grandfather in 1768. My son, Bruce, with the help from his son and my weekend assistance operate the farm.

Some 4 years ago as part of the New Hampshire bicentennial celebration, we located 53 farms in New Hampshire which have been in the same family for 200 or more years. I am proud to say my farm was one of those so cited. One of our outstanding market garden farms, with a direct marketing operation, has been in the same family for our 300 years, without a change in name.

Obviously, the family farm has been and remains the backbone of Northeast agriculture. One of the concerns I have with the use of the term "family farm" is that it means different things to different people and I think it is important that this or any other legislation dealing with family farms recognize the fact that family farms may provide full-time employment for one or more family members of the principle owners of the business as well as nonmember employees. It should also recognize that today's family farm oftentimes appears to be more like yesteryear's corporate farms and indeed are in many instances incorporated with the principal stockholders and management controlled by the family members for tax and inheritance reasons.

This in no way should reduce or minimize the need to address or the importance of the problems facing the small and part-time farm operations, for they contribute to the American way of life and we must improve the environment in such a way as to encourage greater participation in this area.

New Hampshire recently completed a food policy study which took nearly 1 year to complete. The study received input from producers, consumers, processors, transportation, wholesalers, and retailers. The

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report published by the study committee noted that New Hampshire produces only about 15 percent of its total food needs. The report also noted that an unused food production potential exists in this State which, based on available land, could increase the State's food production well above our present 15-percent level and this could be accomplished through large-scale commercial production, small and part-time farm production, and home production.

To accomplish this desirable goal, the study concluded we must maximize New Hampshire's commercial food production and encourage small and part-time farming and home production toward family and community self-sufficiency.

Further, it urged the State Department of Agriculture, the University, and farm-related groups to work with the suppliers of production food inputs—seed, fertilizer, equipment, and services—so that there will be an improvement in the timeliness, selection and price of these supplies and services.

Other recommendations were to have the educational programs of the Cooperative Extension Service be directed more vigorously to the home food producer and the supplier of their production inputs. And that the Extension Service, the Agricultural Stabilization and Conservation Service, the Soil Conservation Service and Conservation Districts encourage farmers to make the best use of manure and other organic waste and composting to improve the productivity of soils to reduce production costs.

The study stressed the need for increased attention to the needs of new farmers, whether large or small, and the special needs of the small and part-time producer by agricultural agencies at the State and Federal level and by farm organizations in the areas of production, land use, marketing and business management.

I find the elements of H.R. 6295 address most of the points found needed in the recommendations of our food policy report. I am certain that other States, especially in the Northeast, have very similar problems and needs.

With these points in mind I support, in principle, the bill under consideration at this time.

Mr. **Akaka.** Thank you, Mr. Townsend. We certainly share your concerns and want to applaud you for the goals you have set here in New Hampshire to maximize commercial food production and encourage small and part-time farming and home production and community self-sufficiency. These are desirable goals certainly.

You mentioned earlier that you preferred to have loan guarantees. Would you expand upon that for me?

Mr. **Townsend.** Congressman, I think you should clarify for those present that I didn't make that statement in my prepared statement.

Mr. **Akaka.** Yes, I said "prior statement." At a press conference you mentioned this, and I just want it for the record.

Mr. **Townsend.** Yes; the Congressman refers to a statement I made at the press conference saying I thought any legislation that was to address agricultural programs and as a matter of personal philosophy, I think any program that the Federal Government or State Government addresses should not be based upon grants but rather upon repayable loans. I believe this sincerely. I can be labeled as a conservative, but I am proud of that. I do believe that the economy of the future of this country demands that we talk in terms of repayment, not out-and-out grants.

Mr. AKAKA. Thank you very much. As we discussed earlier, this bill does contain grants, but for the purpose of purchasing lands for small farmers, and they would be administered by either the county government or community organizations.

Thank you very much, Mr. Townsend.

Our next witness is Mr. Jim Hicks, State Planning Division, State of New Hampshire, Concord, N.H., representing Governor Gallen.

STATEMENT OF HUGH J. GALLEN, GOVERNOR, STATE OF NEW HAMPSHIRE, PRESENTED BY JIM HICKS, STATE PLANNING DIVISION, STATE OF NEW HAMPSHIRE

Mr. HICKS. Thank you, Mr. Chairman. I am here today representing Governor Gallen. The Governor asked me to read a brief statement reflecting his feelings toward this particular bill under consideration. Previous commitments prevented him from attending. He welcomes you to the State.

Mr. AKAKA. Please convey my personal regards to him.

Mr. HICKS. I will now read a short statement reflecting the Governor's feelings and attitudes.

Mr. Chairman, I would like to welcome you and the members of the committee to New Hampshire. I feel it is very appropriate that the first hearing on H.R. 6295, the Family Farm Development Act, is held in New Hampshire. The State of New Hampshire has a proud agricultural history and our citizens are becoming acutely aware of the important role performed by the family farm in agricultural production. I hope that during your stay in New Hampshire, you will have an opportunity to visit a few of the many productive and efficient family owned and operated farms in the State.

For too long this Nation has not completely understood the role the family farm plays in the production of our food and fiber. In New Hampshire, we are just beginning to realize not only the importance of agriculture to the economy of the State, but the unique contribution the farm family makes to the character of our rural communities. Unfortunately that contribution has been decreasing rapidly.

Farms in New Hampshire historically tend to be small and family operated. The 1978 census of agriculture reports that over 93 percent of the farms in the State are family owned and the average farm is composed of only 164 acres. But during the past several decades the number of acres devoted to farming statewide has decreased substantially.

Since 1955, the amount of farmland in New Hampshire has decreased over 60 percent. The Soil Conservation Service, of the U.S. Department of Agriculture estimates that 19,000 acres per year are being converted to other types of land uses. Of this amount, 6,000 acres represent prime farmland, which is the most productive and effectively managed land.

It is estimated that if this conversion of prime farmland to nonagricultural use continues at the present rate, New Hampshire could lose virtually all of its prime farmland by the year 2000. While I will admit that New Hampshire farmers are very resourceful and innovative, and are able to grow crops on land most of us would not consider worth the effort, the idea of having all the best agricultural land in the State converted to a nonagricultural use is very disturbing.

In the past we would have felt secure in knowing that even if we lost all of our best agricultural land we still could obtain food at a reasonable cost from other parts of the Nation. But, changing conditions have quickly altered this belief. Rapid escalation in energy costs, inflation, and similar loss of farmland in other parts of the country have shattered our complacency in New Hampshire.

Recently I convened a statewide conference on food policy for New Hampshire. At that conference producers, consumers, processors, transporters, wholesalers, and retailers of food met to discuss for the first time the future availability of food in New Hampshire; food at a price the consumer could afford to pay and at a price that would be adequate to assure producers a fair return on their investment.

During the conference a number of viewpoints were exchanged and many participants began to understand a little better the importance of agriculture to New Hampshire. For example, New Hampshire imports approximately 85 percent of the food consumed in the State. Because New England is at the end of the food and transportation supply line, food prices average 10 to 15 percent higher than in other regions of the Nation. In addition, New Hampshire, as well as the rest of the New England region, is without stored food surpluses, other than supermarket stock, which would be needed in the event of a crippling storm or natural disaster.

Given the major climatic and agricultural resource limitations in New Hampshire, it is impossible for us to achieve total agricultural self-sufficiency. We can, however, endeavor to increase our own self-reliance. It is this goal that my administration is working toward.

During the past 1½ years we have made significant progress in increasing our agricultural potential. Last year, working with such groups as the New Hampshire Farm Bureau Federation, the general court enacted and I signed legislation that authorized State purchase of agricultural land development rights. I regard this as an important first step in the protection of our most fragile agricultural resource—the land.

Increasing our agricultural self-reliance requires more than just the protection of the best agricultural land. We must stimulate the productive use of the land, uses that are remunerative to farmers. Farmland preservation requires affirmative programs to assist farmers in achieving sufficient income in order to enable them to stay on the land. The goal must be increased farm income and overall agricultural prosperity through private and public action. This is how we can increase food production capacity.

In order to accomplish this in New Hampshire we have for the first time initiated a program to promote agricultural products produced in the State. Called "Nature-ly New Hampshire" the program is designed to increase the market alternatives and potential for New Hampshire farmers.

In order to achieve our goal of increased agricultural self-reliance the cooperation and participation of the Federal Government will be required. We have many people in New Hampshire who want to farm and who would make excellent farmers. They lack the capital, however, to purchase the land and necessary equipment.

I believe that the Family Farm Development Act, as presently drafted, can help solve this problem. Title 4 of H.R. 6295 establishes a program that provides low-interest loans to new young farmers. A key element of that section is the lower repayment required during the first few years until the farmer has become established and cash flow has improved. I believe that this is a worthy provision and should be retained.

I also strongly support the proposed Federal-State direct marketing program. I believe in many instances, programs based on equal Federal-State cooperation achieve better results and are preferable to unilateral Federal action. I would encourage this type of approach in more Federal programs.

I fully support the intent of the Family Farm Development Act and urge speedy congressional consideration. Funds allocated to promote expanded agricultural production will be returned many times over in increased economic activity and tax revenue. In addition I find myself in agreement with Secretary of Agriculture Bergland when he stated:

> If we truly want to save the family farm; if you want to preserve the diversity of American agriculture; if we want to protect and, where necessary, restore a rural value system we all cherish; then we must all begin the serious consideration of a farm policy that would be committed to an agricultural structure in America that is in the long-term best interest of the family farm operator and the society in which he lives * * *
>
> We can act now to insure the kind of American agriculture we want in years ahead. Or we can let matters take their course, with the probable result that we will wake up some morning to find out that we have forfeited our last chance to save those characteristics of the farm sector we believe are worth preserving.

Now is the time to act.

Mr. AKAKA. Thank you very much, Jim. Will you convey to the Governor that we really appreciate his support? You mentioned earlier in the Governor's statement that there is a general decline in contributions from the family farms as well as acreage of prime land. Do you know whether the State has any plans or whether there are any steps to halt this decline?

Mr. HICKS. The main step taken right now is the purchase of agricultural development rights, and that is viewed as the first effort on a competent basis by the State to protect the most precious farmland under threat to conversion. That program has recently begun. Applications are available around the State and we will be looking with great interest at how that is received by the public.

I should add that there is one item in the bill concerned with the Federal Government purchasing rights, and in conversations with the Governor, I would like to express his feeling that any dealings of purchasing development rights should be a matter between the State and local government. I think there is a fear of Federal ownership no matter what type of right in the land that the Governor would not feel comfortable with, and such a program may be a cooperative effort between the State and the Federal Government to purchase. This would be preferable in his opinion.

Mr. **Akaka**. I have heard that concern before from many other States, and rightly so. The intent of this bill is, as it is contained in title VI, to provide Federal grants from the Farmers Home Administration to local governments and local community development organizations for them to administer.

Mr. **Hicks**. I think that would be the route that the Governor would feel preferable, having the action occur at the State or local level.

Mr. **Akaka**. Do you have any adverse feelings about grants going into programs like this?

Mr. **Hicks**. I don't think he would be opposed to grants. He would want to look at the national economic situation to see if it were a preferable approach at that time. His concern is protection and promotion of agriculture in the State, and if grants were used in a minor capacity, he would find that acceptable.

Mr. **Akaka**. Thank you very much, Jim, and will you convey my aloha and best wishes to the Governor.

Mr. **Hicks**. Certainly.

Mr. **Akaka**. Our next witness is Ms. Frances Field.

STATEMENT OF FRANCES W. FIELD, FARMER, LEBANON, N.H.

Ms. **Field**. Mr. Chairman and members of the subcommittee, some of us get a little impatient with politicians call for stronger families, healthier motherhood, and better tasting apple pie, but the basic issue is valid. Add to the list a call for conservation of energy and other natural resources and attention has to turn to the family farm. It deserves a penetrating examination and we are grateful for this opportunity to meet with you.

Established orchards at our back doors are overgrown and abandoned, while tired apples for the pie are bounced by the truckload from another State.

We fill our cars with gasoline and drive to town to buy carrots that have been transported by more gasoline from California or Mexico, when we could buy them sweeter and crisper from our neighbor, if our neighbor was still farming. Or grow them ourselves.

Men and women are demoralized by what we call unemployment while the land waits to be tilled.

Family ties are weakened when family members no longer work together in their own vital interest.

Individual and community health is insulted by many working conditions away from the land, in factory and office.

Finally, we are asked to respect and vote for conservation of our natural resources when most adults and virtually all of our 20th century children have forgotten the touch and feel and reality of those resources.

Wherever we turn, we see our contemporary economic system continuing to squeeze the life out of family farming.

Clearly, some sort of subsidy is in order, to support the enormous effort required to bring back family farming from long neglect. Those with independent means can afford the luxury of this effort, but it must not be allowed to stand as a luxury. Viable family farming must be recognized as a necessity, vital to the life of our Nation.

Our Government facilitates financial help to industry and to the agribusiness whose produce is loaded with questionable chemicals, or to educational institutions which continue to teach disastrous practices. It subsidizes the arts and humanities. Family farming is certainly a business. It has to be. And only a little perception is needed to see that it has other values as well. Wendell Berry, whose words we hope are familiar to this subcommittee, has written:

> At a time when the national economy is largely based on buying and selling substitutes for common bodily energies and functions, a garden restores the body to its usefulness—a victory, I think, for our species * * * Among modern achievements, perhaps the most characteristic is the obsolescence of the human body * * * A garden gives the body the dignity of working in its own support. It is a way of rejoining the human race.

However, since previous legislators have seen small value in family farming, either as a business or as a culture, financial support for its restoration is meager, difficult to find out about and difficult to get. Tax relief is ridiculously inadequate. We can get a small tax credit for the installation of a more efficient oil burner, but not for discontinuing the use of oil altogether, heating entirely with wood from our own acres. Nor does anyone credit us for saving the national economy the effort and expense of feeding our extended family group. The cost of our medical insurance doesn't go down in recognition of the fact that we are so healthy and well nourished. Our land use tax provides only 1 ounce of relief when 1 pound is needed. That law might be more helpful if it included measures for actively taxing the owners of good farmland that now lies under golf course, lawns, parking lots or weeds, and for diverting the proceeds to beleaguered farmers who are trying to make something of what's left.

The financial squeeze goes on. We are glad that you are here, listening and noticing. The time is right, because in 1980 small farming is coming alive, ready to go. Citizen doers and thinkers are gathering into community and regional groups, of which NOFA is just one example. With your support, they can become increasingly articulate and effective. We, in turn, join you in support of this and any viable legislation designed to encourage the ownership and development of family farms.

Thank you for coming.

Mr. Akaka. Thank you very much, Ms. Field. It is good to hear directly from a person like you who was brought up from the earth with your family and is still farming. I really thank you for your criticisms and your comments about what is happening in our country today, and I feel great about receiving your support of this particular bill.

I don't know whether you have looked at the bill closely. My question would be whether you have any quarrel with any part of the bill as a farmer. We know this bill is focused toward giving assistance in many ways to small farmers.

Ms. Field. No, I have no argument at this time.

Mr. Akaka. Thank you very much, Ms. Field, and we appreciate your testimony.

At this time I would like to call Mr. Matt Barron, the Department of Food and Agriculture of Boston, Mass.

STATEMENT OF MATT L. BARRON, MASSACHUSETTS DEPARTMENT OF FOOD AND AGRICULTURE

Mr. BARRON. Good afternoon Mr. Chairman. It gives me great pleasure to come before you today in full support of this important legislation, that has been put forth to assist family farms.

Many of the titles in the bill deal with issue areas that I have become involved with in my position at the Massachusetts Department of Food and Agriculture. I will direct my comments to these areas. We have seen title IV of this bill become enacted in the form of the limited resource farm loan program under the Agricultural Credit Act of 1978. While this has been a positive step to help young and new-entry farmers gain access to capital and credit there have been many problems with its successful implementation by the Farmers Home Administration. My office has received numerous complaints, both oral and written, about the administration of the limited resource program by Farmers Home Administration personnel in Massachusetts. These range from county supervisors refusal to inform the applicant about the program to denials of loan moneys to applicants which the act was specifically designed to serve. These problems, coupled with the fact that Massachusetts receives only 3 percent of the FmHA outlay, for all its programs in the State, have severely hampered efforts to replenish the dwindling number of farmers in the Commonwealth.

Since FmHA is the lender of last resort in Massachusetts and in much of New England, more alternative farm credit mechanisms must be developed and implemented. While State-guaranteed farm loan programs have been successful in this end in such States as Minnesota, Texas, Georgia, and Maine they have been found to be unconstitutional in others such as Massachusetts and New York. I would suggest that title IV of this bill embrace the concept of a Farm Entry Assistance Act such as that filed by Senator Nelson and Representative Bedell. The incorporation of this concept into H.R. 6295 would make Federal funds available to States that enact farm credit programs such as guaranteed loans, farm assistance corporations, land banks, et cetera, much the same way as the Agricultural Land Protection Act sought to make Federal funds available for State-initiated farmland preservation programs.

In the marketing area, much progress has been made nationwide in the development of direct marketing programs. Massachusetts has been in the forefront of this progress, ranking fourth in the country in the number of farmers' markets and eighth in pick-your-own operations. The number of our roadside markets is also quite substantial. Much of this development has had a positive effect on our small fruit and vegetable producers and in some cases has been the prime factor that has determined whether a producer will stay in production. But these direct marketing programs cannot run on good intentions. The failure of the House to pass an appropriation for the extension of the Farmer-to-Consumer Direct Marketing Act of 1976 has had an impact on those responsible for developing and implementing these programs at the State level. Now that a very favorable GAO report on the 1976 act has been released and its merits proven, a permanent direct marketing program section should be established within the Agricultural Marketing Service of USDA such as advocated in title VIII of this bill.

The proposed changes to the school lunch program for the purchase of State-grown commodities is also a good step in efforts to expand marketing outlets for small farmers. In addition to this I would suggest the inclusion of the school breakfast program, as well as other Federal institutions such as VA hospitals, Federal prisons, office buildings, and military bases. Since every State has some of these institutions within its borders it would make sense to present a wide range of outlets for State-grown farm products.

As in other parts of the country, the interest in alternative sources of energy is very high in New England. Many producers are seeking funds to allow them to engage in the production of biomass derived energy sources. Massachusetts farmers, as a result of problems incurred last year in the Federal/State farm fuel allocation programs have become increasingly aware of the need to begin producing some portion of their fuel requirements on the farm or in the greenhouse. While we lack the land and climate needed to produce ethanol from grain, there are many opportunities to utilize forest, agricultural, and municipal wastes for making methanol and methane. We salute the intent of title VII of the act to accomplish these energy objectives.

Last, I commend Chairman Nolan for his work and deep concern for family farmers and family farm issues in the Congress. I know I speak for many farmers as well as those of us who work with these issues in saying that he will be very much missed as the first and foremost family farm advocate on the House Agriculture Committee and in the Congress itself. Thank you.

Mr. AKAKA. Thank you very much, Matt. Thank you for your suppart and thoughtful recommendations. We certainly look forward to considering some of these programs, such as the school lunch program. Is the decline and loss of farmland in your State also a major issue?

Mr. BARRON. Quite certainly. In fact, we have had in operation for 2 years now—well, actually since 1977, a farmland preservation bill such as New Hampshire's development rights, enacted by our legislature 3 years ago, and we received at this point $15 million in appropriations for the purchase of development rights in the Commonwealth of Massachusetts. It is a problem.

Mr. AKAKA. Also, New Hampshire has suggested that some of the grants be given to the State and that we need to consider in all of our legislation that the State should be a part of grant administration. Do you feel the same way about this?

Mr. BARRON. I do; but I can't understand the arguments of those in opposition to the Jeffords bill, which would be the next step to the land use planning, because that directed the funds to go to States that initiated State programs and was going to be allocated by the States or the counties, so we are in agreement at the State level, but that bad act would have gone a long way to help in these things.

Mr. AKAKA. Thank you Matt. Our next witness is Mr. Harrison Drinkwater, director of education of the Hanover Co-op.

We are delighted to have you here today and look forward to your testimony. May I also introduce Mr. Joseph Vitagliano, produce manager of the Hanover Co-op. Glad to have you here also.

Mr. DRINKWATER. I was struck by your comments about the state of agriculture in Hawaii, the fact that your State too is gripped by agriculture problems which are identical to our problems in New Hampshire, and it shows we can be separated by thousands and thousands of miles, but still be stuck with the same problems.

I have a prepared statement, and I hope that Joe will chime in when he feels agreeable to. If I could read that now, it is under the 5-minute limit.

Mr. AKAKA. Thank you.

STATEMENT OF HARRISON DRINKWATER, DIRECTOR OF EDUCATION, HANOVER CONSUMER COOPERATIVE SOCIETY

Mr. DRINKWATER. My name is Harrison Drinkwater. I am the education director of the Hanover Consumer Cooperative Society here in town. The co-op is a supermarket completely owned and controlled by over 5,000 members, most of whom live in the Tri-Town area of Hanover and Lebanon, N.H., and White River Junction, Vt.

Although the co-op has taken no official stand on H.R. 6295, the membership and management of the co-op feel that it is important for family farms to be protected for many of the reasons you will hear today.

What I would like to very briefly describe is how a consumer cooperative such as ours can be an effective market for locally grown and made products. Joe Vitagliano, the co-op's produce manager for 16 years, is here to add his expertise and to answer any questions you may have about merchandising local produce.

In 1975, the co-op was approached by members of the Natural Organic Farmers Association to see if the co-op would make a grant to their beans and grains project—a project that was testing the feasibility of contracting with local growers to grow legumes, beans, and grains. We found out, thanks to the Farmers Association, that Vermont's Champlain River Valley was once considered the breadbasket of New England, because of its grain production. After much deliberation the co-op did make a $3,000 contribution to their efforts. It was not an easy decision to make, but we were pleased to learn that several months later acres of beans and grains were grown, harvested, and distributed through the New England food co-op system.

We couldn't help but wonder, though, why the Growers Association couldn't find a more sympathetic ear in the Department of Agriculture. Perhaps this is an issue the family Farm Development Act will address.

After our experience with the beans and grain project, the co-op became involved with a group of local growers who wanted to start what was to become the Norwich Farmers Market. We found ourselves in the ironic position of operating our own fresh produce stand, and being asked to fund a separate produce market! The fact that the co-op board voted to make a $500 contribution to the Farmers Market shows that the co-op was willing to put some of its money where its principles were. Incidentally, the Norwich Farmers Market has completely repaid our grant, rents its market space from the co-op, and has become what Yankee magazine called "the fastest growing farmers market in Vermont."

In retrospect, we think it unusual that this alliance between consumers and producers resulted in the creation of a whole new market for local farmers. Other areas of the State may not be so lucky to have this kind of consumer-producer cooperation. Again, this is an issue for the Family Farm Development Act to address.

This year the co-op signed a lease with a local farmer to put 8.5 acres of land owned by the co-op into vegetable crop production. This may seem like only a small parcel, but for us the lease stands as a much larger commitment to keep farmland in production, and not have it paved over.

These three examples are meant to illustrate a fundamental point about our community-owned food store. We want to support local agriculture, because we want the local economy to prosper. After all, most of the producers who sell to us are neighbors, friends, or co-op members.

And there is a selfish reason for wanting small farms preserved: we all like to eat good food. You can't find better spinach than what Jake Guest and Liz Sokol grow, nor better cantaloupes than those grown by the Greys in Hartland, Vt., not to mention the breads, cheeses, maple products, and a host of other products we buy locally.

But for all these farms, and all that good food, to survive will require help—more help than the occasional contributions we can muster. That is why the Family Farm Development Act is an encouraging sign that a national program is underway to encourage, stabilize, and develop the small, family farm. Thank you.

Mr. AKAKA. Mr. Vitagliano, do you have a prepared statement?

Mr. VITAGLIANO. I don't have a prepared statement. I buy from approximately 15 local farmers, and some of them come from day to day or every other day, and they range from raspberries to strawberries down to radishes; and they call me a day ahead of time, and I order enough for the next 2 days. Some of them raise just a small amount. I try to buy as much as I can every day. That's mainly it.

Mr. AKAKA. I want to thank you for your statement and your testimony. We are glad to hear from people like you who are trying to put things together, as well as grow, produce, and market your products. We are certainly glad to hear that you think this bill will help the small farmers.

Our next witness is Mr. Richard Carbin, former regional planning commissioner, State of Vermont.

STATEMENT OF RICHARD W. CARBIN, EXECUTIVE DIRECTOR, OTTAUQUECHEE REGIONAL LAND TRUST, INC., WOODSTOCK, VT.

Mr. CARBIN. Mr. Chairman, my name is Richard Carbin. I am executive director of the Ottauquechee Regional Land Trust, located in Woodstock, Vt.

The Ottauquechee Regional Land Trust is a private, nonprofit, tax-exempt organization established to encourage the retention and protection of productive farm and forest land in Vermont.

We support the Family Farm Development Act.

In Vermont, when we speak of farming, we are talking largely about the small family farm. It is this kind of farming that is the backbone of the State. Vermont has more active, full-time family farms than any other New England State.

Yet the family farm has been literally losing ground to competing uses and development. I need not go through at this time all the factors and forces responsible for this decline. They are well documented elsewhere and similar to trends around the country as a whole.

If current trends continue, however, the Vermont family farm and the quality of rural community life in the State will disappear.

In order to reverse the trend we need local, State, and Federal policies stressing the importance of retaining farmland and building upon the strengths of the family farm as opposed to agribusiness.

H.R. 6295 is consistent with this view. By emphasizing family farm development through support of education, training, and demonstration programs, by encouraging alternative technologies, by developing farm marketing programs, and by building a program that allows purchase of farms and encourages their sale to young farmers, the proposed legislation is dealing with the essential economic and social ingredients to make a family farm retention and development program work.

I am particularly pleased to see that the authors of the proposed legislation have recognized the importance of giving the responsibility for the development of funding farm programs to local and State agencies and private, nonprofit organizations. As a representative of the latter group, I would strongly urge anyone involved in family farm programs to recognize the contribution that can be made by locally oriented, public spirited, private nonprofit community organizations. Public agencies do not have all the answers. For example, the Ottauquechee Regional Land Trust has placed two productive farms in Vermont under long-term protection in the past year, enabling in the process two young farmers to purchase their own farm at a cost they could afford. This was done at very little cost. Such activities can extend the effect of public dollars being invested to save and enhance the family farm.

I have two technical recommendations to make with regard to H.R. 6295 that I feel could improve the legislation. In title VI, the family farm ownership program, I would recommend to the subcommittee that they consider permitting funds to be used to purchase rights to land as well as allowing outright purchase of land in fee. The use of conservation restrictions can be as effective in assuring that land continue in farming as full purchase can be and it can cost less, thereby helping to save funds appropriated to this program for maximum use and effect.

In this regard this legislation should also amend the Internal Revenue Service Code to eliminate the sunset provision contained in the Tax Reform Act of 1976 which eliminates the ability for individuals to contribute tax-deductible conservation restrictions to qualified organizations after June 14, 1981. Unfortunately, there is not enough time to describe in detail why this could be extremely beneficial in meeting H.R. 6295's goals. I would be happy to expand on these points if the subcommittee is interested.

In summary, I would like to reiterate my support for the legislation with the minor modifications I mentioned. My only concern is that the bill is so comprehensive and to the point that it will never make it through the labyrinthine Halls of Congress.

Thank you very much.

Mr. **Akaka**. Thank you very much, Mr. Carbin, for your testimony. I would like to go back to one of your recommendations that the bill consider permitting funds to purchase rights for land. Would that be similar to leasing land? You further clarified your statement by saying it is not an outright purchase.

Mr. **Carbin**. It is not an outright purchase. Essentially it is a purchase of development rights program. However, I would want it to work through, as mentioned by one of the other witnesses, local or regionally oriented organizations rather than State or Federal agencies. Community land trusts as private nonprofit organizations are growing in this country and can contribute to the program of farmland retention significantly. The conservation restriction approach could be used. For example, in a case where a family farm was under threat of development where the farmer saw he would receive a higher value in selling his land rather than maintaining it in farmland, by developing conservation restrictions on the profit and paying the farmer for those restrictions, this would enable that family farmer to stay in the business.

Mr. **Akaka**. I appreciate that recommendation.

In Hawaii we also have those kinds of problems, and in many cases the farmers lease lands, they do not purchase it at a fee.

But one major concern is that we have an overriding problem in what will happen to that piece of property by its owners in the future. We are quickly coming to the conclusion that in this case the State should begin to designate lands for almost eternity as farmlands so that maybe another farmer can take it over, and it will stay in farm production.

Mr. **Carbin**. With the use of conservation restrictions and through the land trust type of a program, it is possible not only to deal with the immediate situation of a particular farm, but also to guarantee the long-term protection of that farm.

Mr. **Akaka**. Mr. Carbin, I understand a study of farmland was recently completed in your area?

Mr. **Carbin**. That's right.

Mr. **Akaka**. Can you inform us of the results?

Mr. **Carbin**. Yes. We, through our regional planning commission, conducted a study of farmland viability in our river valley, just a small portion of the State of Vermont. The major conclusions of the report were that after a long period of decline, since particularly the end of the Second World War, farming had stabilized in our region, but because of development pressures and looking into the future in terms of the growth of this area, that stabilization may not last for very long, and that town and regional plans are not effective in dealing with this kind of a situation, that other techniques have to be found that have more long-term effects to deal with it.

We have also found in our area a great increase in small part-time farming which is very encouraging, but we still need to take steps to be sure that land is available for people who want to do that.

Mr. **Akaka**. Thank you very much for sharing that, and I thank you for your testimony.

Mr. **Carbin**. Thank you.

Mr. **Akaka**. Mr. Stephen H. Taylor, sheep and dairy farmer. Welcome, Mr. Taylor.

STATEMENT OF STEPHEN H. TAYLOR, SHEEP AND DAIRY FARMER, MERIDEN, N.H.

Mr. TAYLOR. My remarks are very brief today. My name is Stephen H. Taylor, I am a dairy farmer in Meriden, N.H. I have been in the farmer business for about 10 years now.

I have examined Congressman Nolan's summary of the Family Farm Development Act as printed in the Congressional Record of April 30, 1980.

The goals and objectives set forth in this legislation seem to me to be entirely reasonable and I feel they will provide some significant public-sector help in reversing the continuing loss of family farms here in New England and across the country.

I support particularly the proposed tax code amendments aimed at preventing nonfarm corporations and outside investors from using losses or expenses from farming to offset profit earned in other endeavors off the farm. Corporate, nonresident, and foreign control of significant portions of agricultural land poses a great threat to the survival of the family farm, and although this phenomenon isn't as extensive in New England as it is elsewhere yet, it needs to be addressed by Congress as soon as possible.

I hope that special attention is paid in the drafting process to the needs of family farmers for technical assistance in marketing.

Here in New England, the only solid marketing systems in place for commodities are for milk and cranberries. I know of many family farms which could benefit greatly from skilled, professional assistance in developing and maintaining markets.

For the producers of lambs, berries, and most other New England farm products, it is a case of devil take the hindmost. We have heavy emphasis in exciting programs on supply. We now need attention in stimulating demand.

The New England family farm could benefit from the kind of marketing brochures available on Madison Avenue to sell their products. In milk we are consistently outpromoted and outadvertised by the soft drink and beer manufacturers, even though many of us contribute through creamery checkoffs to regional advertising programs.

I would support legislation to expand technical assistance programs and marketing through cooperative extensions, the farmers home extensions and new cooperatives and any other reasonable approaches to help solve the marketing problems that the farmers here in New England face.

Mr. AKAKA. Thank you very much, Mr. Taylor. In Hawaii, we have great difficulties in feed grains. I don't know whether you have that problem here. How is your situation here?

Mr. TAYLOR. Our problem here is that primarily we are at the far end of the transportation network. We pay a terrific premium to get feed grains from the feed grain producing areas of the Midwest and West here. The rail structures and the rail tariffs that exist, we are consistently at a disadvantage. We use extensive grain byproducts here in New Hampshire, Vermont, and Maine particularly. We use extensive brewers grain products which helps us in confronting this problem, but sometime being at the far end of the rail network, our feed grain prices are much higher than they are in Wisconsin and Minnesota.

Mr. **Akaka**. We have the same problem in Hawaii. What steps could be taken to ease this problem for you?

Mr. **Taylor**. I think primarily review by the ICC of the tariffs that are presently in force as to rail transport. I think encouragement of formation of unit-train shipping, the establishment somewhere in New England or the Northeast of a large grain reserve holding facility, some of these things to try to stabilize the supply of those products and to achieve such costs as we possibly can.

Mr. **Akaka**. Mr. Taylor, you mentioned the problem of tax shelters hurting family farmers. Do you have further suggestions in this area?

Mr. **Taylor**. I don't have any specifically, because in this particular area of New England that has not been a major problem. I think the major problem as to loss of farmland in this area now is the fragmentation of land, of farmland and loss to other uses, rather than the problem of an outside investor control. Certainly that is becoming a problem in northern Vermont with Venezuelan and Dutch interests purchasing farms in that area. In New Hampshire, it is the forest resource that is going to come under pressure from foreign investment.

Mr. **Akaka**. I thank you very much, Mr. Taylor for your testimony. I would like to make an announcement.

Those who have testified and will testify have until Monday, August 18, to submit material for the hearing record. You may send it to the Committee on Agriculture, U.S. House of Representatives, 1301 Longworth House Office Building, Washington, D.C., 20515.

Our next witness is Mr. Charles M. Keeler, a dairy farmer. Welcome, Mr. Keeler.

Mr. **Keeler**. One of the problems of sitting through other peoples testimony is that the more you listen, the more you wonder whether what you are about to say is what you ought to be saying or not.

Mr. **Akaka**. Please proceed, Mr. Keeler.

STATEMENT OF CHARLES M. KEELER, FARMER, BROOKFIELD, VT.

Mr. **Keeler**. Mr. Chairman and members of the subcommittee, my name is Charles Keeler and I own and operate a dairy farm in Brookfield, Vt., and it is from this very narrow experience that I testify. The fruit and vegetable farmers for whom I believe this bill has more relevance will have to be their own advocates although I certainly wish them well. As a farmer I support all efforts to publicize the practice of agriculture because I believe that it is important and because I genuinely enjoy its practice.

The notion of a rural landscape with its tidy small farms and prosperous farmers is a pleasing one and probably one shared by many Americans, judging from the proliferation of periodicals glorifying the country life. I worry however that the economics of this picture are being neglected in your legislation. The fact of the matter is that only recently have the larger agricultural units enjoyed much prosperity and even they presently undergo cyclic distress as I am sure that your grain growing constituents keep reminding you.

I had always assumed that our farm was the essence of small family farmdom. The milking of 45 cows and cropping of 125 acres, is performed by myself, my wife, reluctantly by our two teenage daughters, and with some part-time help from a high school student during the harvest season. The ownership is divided between the family and various creditors. Thus I think we qualify as a family farm and by dairy industry standards we are small. I was surprised to find when I read your bill that there was no way of telling if we fit its provisions with the exception of the implication in title V that the dividing line between small and large might be a gross income of $100,000. This year we will exceed that figure and I can assure you that even at that we have champagne only rarely. The fact of the matter is that today what might have once seemed large is no longer, and that, when we talk of the joys of the small farm, we should not attempt to recreate a 19th century landscape. It is not in the makeup of most farmers of my acquaintance to wish to return to the "good old days" nor even is it in their makeup to wish to remain small.

My second point is, and as I mentioned earlier, conditioned by my status as a dairy farmer, that the dairy industry is marked at present by a surplus of product both in this country and internationally, consequently I would not necessarily welcome the encouragement of additional production through unwitting legislation. I do not fear competition from corporate farms or outside investment in dairying. The dairy cow has always done best under the eye of her master and I believe that this will always be true. That John Lennon of the Beatles should own some high price cattle in Delaware County, N.Y. scares me not a bit. I would be alarmed however by the sudden appearance of 5,000 or 10,000 small dairy farms with subsidies other than the ones I receive. It is just this sort of farming that has created such surpluses in the European Common Market.

For these reasons I am concerned about titles IV and VI of your bill, these being the potentially expensive provisions. The other provisions dealing with research and extension seem reasonable although I do not see why the present organizations such as the SCS, State universities and State extension services should require legislation to make them responsive to existing needs.

In summary, I support the notion of the small family farm as being economically and socially desirable but I worry about the Government's role in trying to restore them to their previous numbers which I believe to be a clock not worth turning back. I would look more to the States and even local governments to support and preserve agriculture of any scale through such measures as appropriate taxation of land, an extension service willing to forgo the media approach and get out on the farm, and development policies which do not necessarily stress industrial development at the expense of agricultural development. Most importantly I believe that we all, in these times when starvation is common in many parts of the world, ought to be working to find outlets for the agricultural products of farms of any size.

Mr. AKAKA. Thank you very much, Mr. Keeler, for your testimony and for expressing your concerns about economics and the possibility of even controlling it in some way so that we would not continue to have any surplus; and this also pertains to economics, your concern about titles IV and VI of the bill as being expensive provisions. I appreciate your candid remarks on the bill.

You also mentioned tax measures. What do you mean by "appropriate tax measures"?

Mr. **Keeler**. I think I meant appropriate taxation of land is what I was referring to in the last paragraph. These would be primarily local real estate taxes which are, in Vermont anyway, controlled to some extent by the State government.

Mr. **Akaka**. Have you seen any indications of foreign investment in your area?

Mr. **Keeler**. In the northern part of the State there is apparently some investment of foreign capital in the purchase of farms. I don't know to what extent. I'm sure someone from the State of Vermont could tell you much better than I could. I do not approve of that. I think my main thrust in all these arguments though is that ultimately whatever we do to promote, discourage, subsidize or whatever, agriculture ought to eventually be based on the economic opportunities that are going to be available to the recipient once the initial loan/grant or otherwise has been made. I think we ought to be sure we are building something that can stand on its own feet without a constant intervention on the part of the Government.

Mr. **Akaka**. Well, I thank you very much for your testimony and your thoughts.

I would like to call to the table Mr. Grant Corwin, a market gardener. If Mrs. Corwin would like to join you, she is welcome.

STATEMENT OF GRANT CORWIN, DAIRY FARMER AND MARKET GARDENER, SOUTH ROYALTON, VT.

Mr. **Corwin**. Congressman, market gardening is not my chief claim to fame but I sell a lot of that stuff too. I would be glad to give my 5 minutes to Mr. Keeler. I would like to listen to him another 5 minutes. He is talking sense.

I'll tell you how I know. I had a hired man one time who had a terrible cigarette cough. He used to smoke Lucky Strikes. When he got a coughing spell, he would reach into his pocket and smoke Kool cigarettes. It didn't cure anything, but he thought he had done something. That's aimed to the Congress of the United States. You can take that back to Washington with you if you want to. I heard it is healthy to have different points of view.

I don't know our audience, but this is a forum as much as it is a congressional hearing. My faith in congressional hearings has been shaken some. I went with Mr. Bergland, he had a series of them, and I spent a lot of time sending written testimony such as you required. Along about 7 o'clock that night when there were 15 people left, I had a chance to deliver it, and I haven't seen my own testimony in the 800 page book that's been written of it.

I am not sure that it amounts to anything for me to come here today. I came to clear my conscience. I have an idea that's what Mr. Keeler was doing and the commissioner of agriculture in New Hampshire, he is an excellent man. I happen to know he is telling the truth when he talks about his family farm. I am a family farmer. I have a wife here and I finished handling hay at 11:30. I know what it is. I'm the real McCoy.

I'm a little bit stirred up about something other than the control of farming that has to do with the economy. The economy has been mentioned here. I sense trouble with the economy. I sense trouble with the dollar itself, and who caused it? Was it the head of the Consumer Cooperative? Was it the Upper Valley Growers Co-op? Who was it? No. It was the Government itself.

We have not been without Government programs all these years. We have hundreds. In fact at one time I took it upon myself to list the programs available to me and my neighbors, and the list is so great there is no end to the list. I probably think you don't know the end of the list of the programs that are available to the citizens of this and other nations at the expense of the American taxpayer and to the detriment of the quality of the American dollar.

I love farming. I'm 60 years old and each year I am farther in debt. If there would be a man who you would think would be looking for a way out, an easy way out, it would be me; but the path that the general population is following to make their situation better is self-defeating.

I haven't used any Government money for 30 years myself. You can argue maybe I should. In my town, we have subsidized housing, subsidized schooling, subsidized tooth fairies, medical care, we have Government help for everything you can imagine; and it is not peanuts. It is real money.

Personally I think that freedom is what we need more than anything else, and a free market and competition. A few years ago, they were starting a new department in Washington, the Department of Consumer Affairs, and Vermont had a field day and invited everyone to Vermont Consumer Day No. 1, and I was there. In the course of the day, it was very pleasant. There was a priest who got around to dairy farmers, finally talking about the subject of milk. This Catholic priest said that the interests of Massachusetts consumers of milk were diametrically opposed to the interest of the Vermont dairy farmers. Think of that. He said it in public. I said, "Where did you ever get any such idea as that? There could be no greater community of interest. These fellows want milk and we want to produce it." With the Vermont Milk Control Board and the Massachusetts Milk Control Board and the ICC, if it has jurisdiction, and the other control measures, I'm sure that their needs would be met and our rewards would be commensurate with our contribution.

Do you have any questions of me? I'm not afraid to answer them.

Mr. Akaka. Mr. Corwin, I want to tell you on behalf of the subcommittee that we appreciate your remarks and the statements made extemporaneously. I want to assure you that it will be made a part of the report.

Mr. Corwin. I am particularly concerned about title VI here where it says——

Mr. Akaka. Grants to communities with family farm ownership?

Mr. Corwin. I think it is. Apparently you are going to set up an organization in the town and they are going to get a chunk of Federal money, and all of the deserving peasants can go ahead and apply, and lo and behold they will be set up in farming at Government expense.

My wife taught school for 8 years, and we have done several things to try to accumulate some capital to expand a little bit. We were told by the Government agencies in the old days that we should enjoy the benefits of the economics of scale. We should get bigger. Well, how come one section of the population has to grow from savings and the other one simply grows by the reason of Federal grants at the expense of some poor devil who is paying their income tax which should be repealed!

Mr. AKAKA. Thank you very much for your comments, Mr. Corwin. Mr. Corwin mentioned the Montpelier meeting, and that meeting is contained in this book. You can get this book by writing to the USDA. Here let me give you a copy.

We really appreciate your testimony here today, and we welcome your wife also if she wishes to say something.

STATEMENT OF BARBARA CORWIN, DAIRY FARMER AND MARKET GARDENER, SOUTH ROYALTON, VT.

Ms. CORWIN. I am Barbara Corwin, the wife of a dairy farmer. I am also a home decoration seamstress because our dairy farm doesn't make the grade financially. If anybody wants any drapes or pillow cushions, I'll be happy to make them for you. My husband and I do get on just fine. That isn't why I didn't want to be up here. I wanted to watch him while he was talking.

I object quite strenuously to this bill as I'm sure you must realize. There are a number of provisions. In fact I don't like the whole thing. But why do we want to cut in on the real estate agent's business by having the city's and county's land and resell it. Why not give them a chance instead of competing with them.

Another thing, it says you are going to have research on how to enhance the lifestyle of small and moderate sized family farmers. Well, if you would do something down there in Washington to reduce our taxes, I bet you any one of us could enhance our own lifestyle without any help.

Also, authorizing training and apprentice programs to make people better farmers. We have a good school up at Randolph Center. There is one at Stockbridge and Norfolk, Mass. They are everywhere, we don't need any more.

As for marketing, it seems to me that if the Government would get out of the marketing business, as my husband suggested, and perhaps not have quite so many middlemen, there would be a little more left over for us. I once heard our State Farm Bureau president say a number of years ago that the farmers who produced tomatoes got less for the tomatoes in the can than the canner paid for the label on the outside.

All right now, the Food Price Review Board. I don't think anybody has mentioned that. I don't really like to have prices set by a Government organization or even our President, and that's the way it sounds to me.

I would like to have you convey to your colleagues in the Congress and our great President that my neighbors and I would appreciate it if you would stop passing legislation such as this which puts on more controls and adds considerably to our tax burden. I think it would be nice if you would spend a whole session rescinding spending bills and see what would happen to our tottering economy if you did.

I would like to quote from one Isabel Patterson:

> The harm done by ordinary criminals, murderers, gangsters and thieves is negligible in comparison with the agony inflicted upon human beings by professional do-gooders who attempt to set themselves up as gods on earth and would ruthlessly force their views on all others with the abiding assurance that the end justifies the means.

You will notice I used the word do-gooders. Everybody who is trying to pass the legislation realizes there is a problem and wants to do something about it. America was founded by those members of basically agrarian societies who were fed up with such controls as this bill fosters and this country became great because such controls were not allowed to become the law of the land. Let's return to a free economy, and then we will all be able to take care of ourselves and you people down in Congress will have more time tomorrow with your families.

Thank you.

Mr. **Akaka.** Thank you. We appreciate your frank remarks. You can be assured this message through the report will get to Congress. I don't know about it getting to the President but it will get to the Congress, and we certainly appreciate your time here.

I would like to announce that there is a display of local produce outside supplied by the Hanover Co-op showing the variety available from your local produce people here.

At this time and according to our plan we want to call a 10-minute recess.

[Recess taken.]

Mr. **Akaka.** Will this hearing on the Family Farm Development Act come to order? Can you give me an indication whether the members of the panel are here? Mr. Drew? They are not here yet, so we will continue with Mr. Dick Hodge who is a dairy farmer. I understand he is not here, so Mr. Anstruther please proceed.

STATEMENT OF PETER R. ANSTRUTHER, CONSUMER, HANOVER, N.H.

Mr. **Anstruther.** Aloha. I came to Dartmouth from the University of Hawaii.

Mr. **Akaka.** I'm sure we know some of the people back there.

Mr. **Anstruther.** Before reading my written testimony, I am testifying as a consumer not engaged in farming. That's the category I fit best. I would like to ask to clear up a slight discrepancy in the number of the bill that I have a copy of, because I am referring to sections of it; and the bill is H.R. 6296 that I was given. Is that different from H.R. 6295?

Mr. **Akaka.** It is the same bill.

Mr. **Anstruther.** All right. This is in support of the bill in the main.

This bill is long overdue. The penalties we are incurring daily by neglect of this important matter are raiding the wallets of all of us and at the same time destroying the rural environment that provides the setting for a natural, wholesome, and permanently viable way of life and culture. If this kind of legislation is not quickly passed and responsibly administered, all will have succumbed to megalopolis, agrifactories, smog, strikes, lockouts, inflation, and unemployment lines. It will then be too late to reinvent the family farm, bring life back to normal, and restore sanity to our civilization. We shall all have forgotten the taste of raw milk and the glorious sound of a cock's crow chanting "This is the day the Lord hath made. Let us rejoice and be glad in it."

As a consumer I am keenly aware of the absurdity and stupidity of the hostage situation into which we in New England have allowed ourselves to drift in respect to food supply. A day-by-day look at the prices of meat, fish, and produce that is far from being fresh brings to mind the famed comment of Winston Churchill when, in exasperation, he complained of the government then in power; "In an island made of coal and surrounded with fish they cannot even give us coal and fish." We are hostage to agribusiness, teamsters unions, supermarket chains, and moneylenders who have no interest in the quality of our lives and our nutrition. Government programs have hitherto tended to aid and abet this giant scale rape of our land and our pocketbooks and destroy the nucleus of a rural way of life—the family farm. This bill, following upon the National Agricultural Lands Study initiated in 1979, gives me hope of seeing the beginning of a compensating balance to, if not a reversal of, our headlong impetus to self-destruction. I therefore urge its passage.

I agree with all the findings in section 2(a) of the bill, but wonder if any ranking of priorities is implied in the order in which the purposes of the act are listed in section 2(b). If so, I would point out that no amount of money and effort put into purpose (1), (2), (3), (4), or (6) can be of permanent effect unless due attention is not first given to purpose (5), "to provide for the conservation of the soil and water resources of the Nation through improved programs and additional incentives"; and purpose (7), "to strengthen the economic base of rural communities and thereby improve opportunities for a better rural life for those living on farms or working in rural areas." These two stated purposes address the needs of a much wider segment of the population than do the other five, and so should attract more political support for the bill if given due prominence.

The family farm had its joys but it also had its drudgery and social isolation that led teenagers to run away from home. I see economic necessity and social needs leading us toward a more viable social and economic unit in the cooperative farm in which several families jointly own and operate a farm of medium size for mutual all-around benefit. No one is pinned down to its chores 24 hours a day, but its work and play are shared together equitably. With this in mind I urge that provision be made for research and demonstration of the conservation land trust as a legal mechanism through which farming cooperatives can be established in the long range without prohibitive capital investment on the part of young farming families. A lucid explanation of land trusts is available from the Institute for Community Economics, Inc., 120 Boylston Street, Boston, Mass. 02116, in a five-page paper, "The Community Land Trust, a New System of Land Tenure."

Although I am not engaged in farming, much of my time is devoted to volunteer work to encourage local food production and marketing through the expansion of producer and consumer cooperatives throughout New England. I currently serve as vice president of the Hanover Consumer Cooperative Society, Inc., and have recently joined the board of the New England Cooperative Network. To help make possible rural family life at affordable cost, I serve also as vice president of Twin Pines Non-Profit Housing Corp., Inc., which is seeking to develop rural housing cooperatives in the Upper Valley. I therefore, appreciate the importance of this bill and particularly of Title VI: The Family Farm Ownership Program, and Title VIII: The Farm Marketing Programs. These provisions would lend official governmental support and encouragement to the ongoing efforts toward local, mutual self-help, and self-reliance reflected in the work and development plans of the Hanover Consumer Co-op and other co-ops in this area. I request permission to enter into the record as part of my testimony the following three printed documents: Exhibit A, "Opportunity Knocks at the Hanover Co-op," a statement of the concerns and development goals of the Hanover Consumer Cooperative Society; exhibit B, an aerial map showing the land the society is trying to keep in production and as a center of cooperative activity; and exhibit C, a leaflet stating the concerns and development goals of Twin Pines Non-Profit Housing Corp., Inc., Norwich, Vt., "To help relieve the housing shortage cooperatively."

Thank you.

Mr. **Akaka**. Mr. Anstruther, without objection, we will place your three documents in the committee files.

[The documents referred to above are held in the committee files.]

Mr. **Anstruther**. Thank you.

Mr. **Akaka**. I want to thank you very much, Mr. Anstruther, for your thoughtful testimony and your support of the bill. Thank you very much.

We now welcome, Mr. Charles Baker, a realtor from Vermont.

STATEMENT OF CHARLES O. BAKER, REALTOR, WHITE RIVER JUNCTION, VT.

Mr. **Baker**. Thank you. My name is Charles Baker. I am a native Vermonter and realtor.

I am happy to have the opportunity to comment on the proposed Family Farm Development Act. I do not speak for my partner in real estate nor for any board of realtors.

Dairy farming has long been an important part of the economy of Vermont and New Hampshire but the small size of tillable fields, especially in our immediate area, make it increasingly difficult for a dairy farmer to succeed. I think we must encourage the use of our small fields for growing crops with a very high gross per acre such as berries, asparagus, and tomatoes. That is why I particularly welcome title VI to make land available to new or young farmers and my comments will be about title VI only.

In section 602(c)(1) it is specified that the grant recipient repay in full in 10 years. In order to have any funds to repay the grant and still maintain the revolving loan fund, the grant recipient is going to have to resell the land at a profit, so in order to keep the prices as low as possible 10 years is too soon. I would suggest half repayment in 10 years and the balance in 20 years.

In section 602(c)(3) it would seem fair that if the grant recipients are to maintain a revolving fund so too should the Secretary. I would change this section to specify that funds repaid should be available to new applicants under title VI.

I would eliminate section 603(c) on the grounds that the grant recipients may not have either the funds nor the knowledge to comply and that other arms of the USDA are specifically charged with advising and assisting the farmer.

Under section 605 we could run into complications on the option to repurchase. I assume that the purchaser could build a home but the option to repurchase does not seem to take that into account. Also in section 605(b)(2) line 18, it is vital to insert the words "for farm use only."

Mr. AKAKA. Thank you very much, Mr. Baker. We appreciate your specific recommended modifications which tell me that you are very familiar with the bill as well as the possible problems people engaged in agriculture may have. We will certainly take that into account when we consider the bill.

As I mentioned earlier today, this is the first hearing on this bill in the United States. I don't know whether we are going to be working westward, but there will be other hearings, and we will collect all the information we can. Certainly, I think that some of these recommendations will be considered heavily, and we thank you for them.

The next witness will be Mr. Ben Ptashnik, Upper Valley Center for Food Self Reliance.

STATEMENT OF BEN PTASHNIK, UPPER VALLEY CENTER FOR FOOD SELF RELIANCE, EAST THETFORD, VT.

Mr. PTASHNIK. Thank you, Congressman for giving me an opportunity to speak a few words about the concerns that I share with fellow citizens of this valley. The Upper Valley Center for Food Self Reliance is a local organization. It is a small organization which includes some of the people you see in this room. We are mostly a group that's concerned with the preservation of local agricultural capacity and the preservation of farms in this area.

We are very concerned with this issue, because we, both as consumers and some of us who are farmers, see the reality that we are at the end of the food chain in this corner of the country, and that based on my own personal experience working with consumer cooperatives, we know that we are currently paying more for food items than practically any other region of the country, perhaps 15 percent more, and that is basically because most of our food comes through a long chain that starts usually in the South and Southwest and ends up perhaps in Boston and then after that up to here. Certain distributing corporations, supermarket chains, bring the food more directly to this area, but still there are a number of middle men who control our food to the point where the prices are much higher. What has always grieved me as

I have worked with food cooperatives and farmer cooperatives is to see in the middle of our growing season produce coming in from other parts of the country, and I know it costs, both in the natural resources of the country and the pocketbooks of the consumers, quite a bit of money for that.

What I believe is that we have essentially fallen prey to a situation that started off maybe 20 years ago where the long distance transportation systems in this country, particularly the interstate highway systems, have allowed fresh produce to come to this end of the country in huge volumes which has in essence not permitted local farmers to compete.

Someone earlier said something about keeping the Government out of the agricultural picture; and that person voiced skepticism of Government involvement. Unfortunately the Government has been involved quite a bit already, and one of the reasons I feel that the current picture for the local farmer is so bleak—and I am talking about truck farmers—the reason that picture is so bleak is that the Government has poured billions and billions of dollars into the interstate highway systems and that has subsidized the California growers and the Sun Belt growers. We have seen subsidization of California and Sun Belt farmers in the form of irrigation waters from the Colorado River from Government taxpayer money, and we have seen a lot of the research and development for agribusiness, new forms of harvesting machinery, new forms of pesticides and new forms of farm management and marketing and processing, all paid for by the Agricultural Extension Service experimental stations.

So Government has been in agriculture and in agribusiness specifically for many years, and I don't find it objectionable at this point to balance the scale through this particular act. I have read all of the provisions, and some not in total, but I find myself in agreement with this bill, and particularly, I would like to address the issue, the section 401, which is appropriate technology. I believe that one of the reasons we have not been able to compete in this area with agribusiness in the Sun Belt is that we have not had the technology to compete with them. Our growing season is short. We have lost the storage technology, root cellaring particularly, and the facilities to do so, so that we can compete in marketing over the longer growing season. By extending the season at both ends, we can perhaps begin to compete with the Sun Belt farms locally, given the fact that the transportation gives us the advantage now, because the costs of that transportation are going up.

The other title that I am concerned with is 801, 802, 803, 804, and 805, that has to do with help with marketing. I believe that the marketing system in this region is lacking, and that is one of the reasons that the farmers are going out of business. I have driven trucks and been at terminal markets across the east coast. I have seen a tremendous effort put into setting up the Chelsea Market in Boston, the Huntsport Market in the Baltimore-Washington market and subterminal markets in Syracuse and Albany. These have helped bring produce from other regions and have smoothed the path for commodities to come into our region to the detriment of our local farmers.

We have to see some sort of system develop, marketing systems to help the farmers change the picture around. I am concerned about the price of food 10 years from now and the availability of food when California is no longer able to produce the type of food they say they are able to in the past. In the next 10 or 20 years, they will be able to feed only their own needs. We will have to go to South America and use the land resources of underdeveloped countries to feed the Northeast. I am very concerned about the timetable for such a scenario, because every year that goes by, we have less land here to meet our needs. Now they are realizing there is an energy crisis, but 10 years from now the farms will no longer be here, and at that point we will be too late to change the picture, and that's why I believe in the bill.

Mr. AKAKA. Before you leave, I want to thank you very much for your statement, Mr. Ptashnik.

I again repeat, Hawaii has similar problems that you have. In fact, about 63 percent of the produce is imported, and we hope the farmers in Hawaii will be able to cut into the import because the market is there. We have other kinds of problems that are perhaps different from yours. We don't have as much land as you do to use for this purpose, and we suffer from high food costs because of shipping.

Mr. PTASHNIK. You have to ship from California as well.

Mr. AKAKA. We have to pay for the shipping costs as well, but we import 63 percent of all of our produce, but we hope that we can encourage our small farmers to begin to produce some of the kind of foods they would use in Hawaii.

Also I want to mention to you that this bill contains title VII which addresses itself to small scale alcohol production. We hope that small farmers can get into this, not only to help our energy crisis, but also to help our industries by producing an alcohol that can be mixed with gasoline as gasohol. We drove up from Washington, D.C., and I am amazed to see the number of cars that we passed over the weekend which tells you the amount of gasoline that is in use in just one area of our country. This bill addresses this problem through alcohol production, and we hope that there will be farmers in this area that will want to look at this option.

Mr. PTASHNIK. I would like to comment on that just a bit. I have done a little bit of research, and I am currently applying for a job to work in the alcohol field.

There are two ways that alcohol can be produced for use in energy matters. One is strictly as poor alcohol to be mixed with gasoline for gasohol, and that requires a very highly technical, very capital-intensive processing system which inevitably I believe will fall into the hands of the likes of Exxon, Texaco, Mobil, et cetera. Then there is the alcohol production on the farm where the alcohol is not pure but can be used directly in the tractor as is. The gasohol has to be pure alcohol because it won't mix with the gasoline otherwise. If it is just gasohol it can be 90 percent. I can see Government subsidizing the development of the technology for that, but I'll be a little bit upset, to say the least, if I see Exxon getting more money to develop the energy resources that they are already too much in control of in this country. I would urge the alcohol on the farm be pushed, but not the gasohol.

Mr. AKAKA. Ben, since I was talking about Hawaii, recently we received two grants. One is the Hilo Coast Processing Co., which is a sugar mill that grinds the sugar and the sugarcane, and finally produces molasses and brown sugar shipped for refinement. They are interested in processing the molasses into alcohol for the purpose of gasohol.

Mr. PTASHNIK. Gasohol?

Mr. AKAKA. Yes; they received a grant for a feasibility study, and from the molasses they would process ethanol. There was also another grant given to the Pacific Resources, Inc., to do the same thing in Hawaii. But in this bill there are provisions for small farmers, and if you read it carefully, you will find it is designed for the operation of the small farms.

Mr. PTASHNIK. I applaud such efforts. Thank you very much.

Mr. AKAKA. Thank you very much, Ben.

I would like to call on the panel if the panel is here now. Members of the panel will be Mr. Ben Drew, orchardist; David Guest, market gardener; and Ms. Renée Patnaude, manager of the Upper Valley Growers Association. If you are here, come forward. We welcome you here and look forward to your testimony.

STATEMENT OF BENJAMIN A. DREW, ORCHARDIST, VERSHIRE, VT.

Mr. DREW. Good afternoon, Congressman. I'm sure that you have experienced both the good and the bad in your hearings. I think I represent both the good and the bad.

In the first place, I would like to give you all a chance to hiss at me, because I'll give you my credentials. I have been part of the agricultural establishment that is 2 percent of this country's population which produces the major part of the food and fiber for this country and for half of the rest of the world.

I am happy and proud to have been part of that. Maybe the good is that as a college graduate, I worked 70 to 80 hours a week with my hands and my back and my heart on a family farm for $5 a week. I think that gives me a little bit of contrast to know what I am talking about.

I have another thing in my favor. I bought a Vermont hill farm, a family farm abandoned because, as it has been stated, it was too remote to attract a family to stay there. The land itself is fine—the family farm is there—don't mistake that. We haven't lost the family farms, we have lost the family farmers.

I have taken this farm with my extensive and competent knowledge recognized by my industry and my colleagues and developed a small business of this family farm which I have taken over, not in the family farm, because I am a retired old fellow. I hire my work done, and with the expenditure of $100,000, and 8 years of time, and my knowledge, I now have a business which contributes $25,000 to the community in wages. It contributes $4,000 or $5,000 in taxes and it contributes quite a bit of employment to various people, so that I have done that as a demonstration.

I am enormously in favor of all soil conservation practices. I am totally in favor of Renée's marketing efforts here in this Upper Valley. She has done a fine job. I think Ben Ptashnik has been helpful in developing the regional farmers markets. I think it is a start and has helped a lot of small family farmers pick up enough extra income to perhaps keep them going and encouraged.

I have advised many young people who have asked me about going into agriculture to look first. What do you think you can grow on your land? Where can you sell what you think you can grow, because without a market, there is no point in growing anything. Without commenting specifically on your bill, sir—I wrote a lot of notes, and I am not going to bore you with them.

I am not in favor of people knocking the Extension Service like Mr. Ptashnik did. Out in Stratford, Vt., is the home of Justin Morrow. He wrote the Land-Grant College Act which was the beginning of the land-grant college, and the beginning of the Extension Service. The beginning of scientific agriculture where more tons of food could be produced on a given acre for a given hour of work than ever before in the history of man. The Extension Service has gone through the world through the AID programs, and it started out there with Justin Morrow, Senator from Vermont, and to neighbors who haven't seen his homestead, it is a marvelous homestead, preserved as a monument.

Let me comment on Mr. Anstruther's comments on local produce versus shipped-in produce. That's a very difficult thing, my friends, because the R. & C. doesn't want our produce. They want one carload of beans, all in the same package, all the same grade, all delivered on the same day, so they can deliver them. Maybe that is not good nutrition, and if we don't like it we can grow our own meats, but that's the way it is, and we as local producers cannot compete with that kind of marketing system. It may be the marketing system we don't like, but that's where it is at. I don't mean to say that the Hanover Co-op doesn't do a magnificent job, but I don't think they can buy all of their stuff locally. Do they buy some——

Ms. Patnaude. They do.

Mr. Drew. I grow cabbage for Renée and grow good ones, do I not?

Ms. Patnaude. You do.

Mr. Drew. Thank you. I would like to simply close by saying that any efforts that we can make to help people get started in agriculture are very much worthwhile. I have a lot of different suggestions which are not incorporated in your bill. I am not in favor of subsidizing totally inexperienced people with money to go into farming because it costs such an awful lot of money today to get into any kind of farming, even small scale; but I believe this money would be better spent in perhaps even subsidizing a young couple interested in going into family farming, subsidize them to go to work on an existing family farm as apprentices. Let them know the joy and the work of being a part of the family farm and participate in that effort. Perhaps the Government could help pay part of their support which the small-time family farm could not.

The value of the family farm as such is not a social problem. It is an economic matter as has already been stated. As such it isn't going to come back to our hills, but perhaps with proper technology over periods of time and as the cost of goods go up from shipped-in areas, as the price goes up, and as the rewards for family farming on a smaller scale will attract the youngsters to stay there, to study, to go to State colleges, to listen to the Extension Service programs, to learn how to do a good job on a family farm, then I think there is good hope for it; but to put totally inexperienced urban kids full of ideals with a little bit of papa's money out on a farm, and say, "You are now family farmers," that is not a viable thing.

I would like to make one other comment in closing about giant agribusiness. I see many evils in agribusiness. I am distressed with the fact that it has become a real estate capital gains proposition which has priced farmland in the Midwest and everywhere else to the point where it could become an economic variable. The ROI would not justify the prices they are paying for the agricultural lands because that land is being bought in the hope that they can run it for a year or two, keep it going, pay the taxes and then sell it at a higher price to the next bidder. I predict not too unhappily, sometime that market is going to collapse, getting down to basic values.

I would say in regard to some of the evils which some of you see in the large corporate farms and the way they farm, I believe that one should attack the evils directly rather than the institution which causes them. Strengthen the soil conservation program. Be sure they don't put effluent down the rivers and be sure they do the things right. That's the way to attack them. Thank you for listening.

Mr. AKAKA. May I call on David Guest as the next witness?

STATEMENT OF DAVID GUEST, MARKET GARDENER, NORWICH, VT.

Mr. GUEST. I apologize for not having any prepared remarks, but I spent the morning laying irrigation pipe. This morning, when I got up, I looked over the bill for the second time and have been thinking about it for a few days. It is very appropriate for me to consider, I suppose, because I seem to fall in the category for whom the bill is written.

I am 36, and I guess that's still fairly young. I am a new farmer relatively. I have been farming only for about 5 years. I am a market gardener, which is a very specific term. It means that I have high-priced land close to available markets and grow a variety of crops intensely—that is, close spacing and rapid turnover of land.

I have only in the last year reached the point where I feel I am really making a living. I make somewhere between $16,000 and $20,000 a year gross which is barely enough to sustain the high costs that I have incurred. Recently I moved close to this area from Caanan which is 22 miles away, because anticipating the cost of transportation, I felt there was no future in being that far away. That may not seem far, but it is a lot.

I employ two people full time during the summer. And I owe Uncle Sam just about everything. And this is the part that I would like to address.

My funding is almost entirely through Farmers Home Administration through the recently established limited resource—I'm not sure what they call it—limited resource loan program. I was able to buy my present place which is very small and very expensive, and finance my operating costs of some $20,000 in capital expenditures of $25,000 thereabouts through Farmer's Home.

In looking over the bill, it seems to me that—I don't know how these things work exactly, but it seems to me what happens as far as any financial help for beginning farmers, or young or beginning farmers, the financing will go through other Government agencies as I understand it. It doesn't seem to me this bill provides for direct financial aid, for instance, to farmers. I may not have read it thoroughly enough.

It looks like it goes through FmHA. I am grateful to my Government for financing me and there is no way I could get where I am without FmHA. The banks wouldn't touch me. I couldn't get credit from other farm lending organizations. However, there are some dissatisfactions. I am not sure that they can be addressed through this bill, but they have to be in the context.

This bill isn't anything unless it is in the context of how it is implemented, and I think one of the problems with financing, and particularly the kind of financing that is indicated through this for small beginning farmers, is that people who administer the funding or financing are relatively inexperienced in this particular area. They understand dairying in this area. They understand large-scale operations, but don't understand about vegetable production or that mixed farming is possible in this area. As a result they tend to be conservative, either that or they stick their necks out.

I don't see anything in the bill—it says that the Secretary should coordinate the activities of—whatever it is called—set up under the bill with the various organizations, but it seems there is a hole there. I guess you can't impose on something like FmHA some kind of regulation which they are not covered by really. I see a problem there. I also think that another problem with funding is that it is very unwieldy. I have a hard time with Government financing, just kind of making sure that I define myself in a way which is appropriate and it is kind of ridiculous. It is a great Catch-22.

For instance, in that limited resource program—and I think it is appropriate because that's how farms will be funded through this bill—I had to be low income. I had to be a beginning farmer, and I had to not have any other resources besides FmHA. However, I had to be sufficiently experienced and be financially responsible enough to receive the funding, you know. So there I was saying OK, how much can I say I made last year in order to qualify. But I have to be careful that I didn't make too much. It is a ridiculous situation. I think that's something, that should be addressed.

There are other parts of the bill that I would like to address: I think that one of the biggest helps for a young and beginning farmer is financial, and I think in many cases as much as possible it should be outright agents than through all kinds of help with technology and so forth. It seems to me what I hear people saying, I would love to get farming, but I haven't got any money. I think that's a realistic consideration.

I would also like to enter or make one other not-so-related comment. On page 19, sentence 4, is something that caught my eye. It says, "determination of the needs of small and moderate sized family farmers taking into consideration methods of agriculture used in foreign countries."

I think that I would like to say that I think that particular part is an excellent idea, because it is done in other countries, and it seems ridiculous that we should spend so much time trying to develop other ideas and technologies that somebody else is doing elsewhere. Other than that, I haven't got any other comments.

Mr. Akaka. Thank you, I'll be asking you some questions after Renée is through.

STATEMENT OF RENÉE A. PATNAUDE, MANAGER, UPPER VALLEY GROWERS ASSOCIATION, EAST THETFORD, VT.

Ms. PATNAUDE. I would like to direct my comments to title VIII, the farm marketing programs, based on my experiences with VISTA, the farmer cooperative for the local farmers, not only the farmers represented here, but New Hampshire. Section 801 which establishes a farmer cooperative service raises the question in my mind of how similar that would be to the economic statistics and cooperative service in the USDA already. I just was questioning what repetitions would occur in the staffing.

With the establishment of that agency, I was wondering if it would be appropriate, or which agency would be appropriate, to do a study which addresses the public awareness or lack of public awareness of the problems with small farmers. In other words, I don't think most of the consumers of America are aware of the benefits of buying locally grown food, and it is at the State level to do that education.

I think if there is a national study to find out or predict what's going to happen to agriculture in the future, maybe 10 years or so, based on the trends that are occurring today, I think that information would be valuable, and then if it was accurate and a true study, it ought to be publicized.

My fear is that the study find out that the centralized agribusiness agent or institutions that are in dominance right now in the agricultural scene will have to be subsidized more by the Government than they are because the top soil will run out, the nutrients and the water will run out, and already they are being subsidized by federally funded research in the land-grant colleges. So I am concerned about that whole idea.

I agree with Mr. Barron who suggested that the national school lunch program, section 802, I think, that you encourage VA hospitals and other Federal institutions change so that they can buy more locally grown food.

The other section, I forgot which one, proposed a Federal/State direct marketing program. It sounds appealing to me or our cooperative as a possible applicant for the grants, although my personal feelings are that a co-op should run as any other business and should depend on their internally generated support and be able to pay it back as a loan; but in this time, I think that we are going to need some more grants just because we can't compete with California-raised and Florida-raised vegetables.

The market is just too competitive for our farmers. In the interim, until our farmers balance off with those farmers, I think grants will be needed; so maybe that program could be contingent upon the situation of agriculture. If we start balancing off, I don't see any more need for the grant, and I am questioning whether the grant will come through at all considering the Federal budget this past year anyway.

That leads me into my last consideration, which is title V, the amendments to the Internal Revenue Code. I strongly support that. I think by eliminating the tendency of tax-loss farming, then farming will become less competitive. Well, the agribusiness farms will not have such an advantage over our New England farmers. That's all I have to say. Thank you.

Mr. AKAKA. Thank you, Renée, and I want to thank the panel for your contributions here today at this hearing.

I have a question for Mr. Drew. Mr. Drew, have you employed anyone who later went into farming on his own?

Mr. DREW. I believe so, sir. There have been many years and many employees and many young people, most of whom did not. I was living in the electronics era near 128 and so forth where they did not, and particularly since eastern Massachusetts is a very poor place to farm. It is heavily graciated. It would remind you of your own rocks.

Mr. AKAKA. You made the comment you favor any help to start young people.

Mr. DREW. Very much.

Mr. AKAKA. And I know you consider this to be a worthwhile process. Mr. Guest, you spoke about the Farmers Home Administration. Where should the beginning farmers program be administered if it is not by or through the loan office?

Mr. GUEST. I don't object to Farmers Home administering it. What I would emphasize, however, is that I think one problem I had or I felt we had, was that they are not very experienced in administering precisely that kind of money. They are used to somebody who is established or comes from a family who has been farming for a long time and knows the language and knows how to do it, how to deal with that money and with that apparatus. Also, they are not experienced in the physical side of vegetable production, for instance. He would ask me questions about it. It wasn't his fault.

In answer to your question that this should be a special training session of some kind to bring together, let's say for instance, FmHA administrators from the Northeast. Say we are making these certain kinds of moneys available for certain targeted population, you should know about the people you are dealing with. That should go without saying.

Mr. AKAKA. Yes. This bill contains language that would provide an agent who would work particularly with small farmers.

You also mentioned foreign agriculture, and I think you know that in this bill, this is being taken into consideration. It does provide for looking into methods of agriculture used in foreign countries that we can benefit by.

Renée and some of you have addressed the problems of the future. I was a member of the Select Committee on Population in the 95th Congress. We made studies on population, it was staggering. Our studies show that at present we have roughly 4.6 billion people on Earth. In the late 1980's there are two predictions. One is that we will increase population on Earth to about 8 billion people. Robert McNamara projects it to 11 billion people. It is staggering because if we have problems feeding 4.6 billion people on Earth now, think of the problems we are going to have feeding 8 billion people in the future. This makes our effort very, very important, not only to our country, but to the rest of the world; and unless we begin to take steps to be certain that we are able to produce food and fiber for the people on Earth, we will be in trouble in the future.

We hope that a forum like this can bring your ideas together. We hope it will help us refine the bill so that it can be helpful; and we hope that the time will come when more family farms will blossom all over our country and begin to produce the kind of food and fiber that is necessary for life; and to me this is so sacred that it's a mission that we need to respond to. That makes the effort of each one of us very, very important to the future of our world. We hope that together we can bring this kind of production about. We have many ideas how it should come about, but we hope we can refine it so that we can be efficient in doing the job.

Ms. **Patnaude.** Could I just respond to that?

Mr. **Akaka.** Yes, Renée.

Ms. **Patnaude.** I have seen times when an urgency is felt to address a problem that seems overwhelming, such as the one you are reciting. The problem overwhelms the people so much that they forget the methods just for the sake of a goal, and I'm afraid or just concerned that efficiency will be the major objective in farming, and I don't think that is an appropriate one. I would rather see quality of food come out of the ground being the major objective rather than quantity. I think people can be nourished more on more healthy food rather than a lot of out-of-the-ground food.

Mr. **Akaka.** I do not disagree with you on that. I am hoping that we can do both, that is produce quality types of food that are needed.

Also I want to mention about buying food through the national school lunch program. You mentioned the VA and others, and there was someone else who mentioned this, and we want to look into that, because what's mentioned here is just using the school lunch program as a recipient for surplus commodities.

Mr. **Guest.** I forgot to mention when I was speaking, in the section of the bill referring to research and investigation and so forth, there is a discussion of developing researching techniques and so forth, and I would like to enter into the record a report entitled the "Report on Organic Farming," U.S. Department of Agriculture. Is that possible? I would suggest that anyway, because I think although it might be knowledge to the people working with the bill, I think it is particularly appropriate. I don't use pesticides or herbicides, and this is a favorable report and has a direct bearing on some of the intent of the bill itself.

Mr. **Akaka.** Mr. Guest, we will make it part of the hearing file. Mr. Drew?

Mr. **Drew.** Yes, I was going to say I certainly sympathize with your objectives in bringing back small farms and making them economically viable. With the population explosion, this may be a necessary part for supplying the food for the world. However, I want to say to every one of you here, don't expect the women and children on family farms to contribute their labor free of charge so you can eat cheaper, and don't forget that please.

Mr. **Akaka.** I thank the panel very much for your contribution today.

Next, I would like to call Mr. Lawrence Underhill, president of the New Hampshire Farm Bureau. Welcome, Mr. Underhill, and we look forward to your statement.

STATEMENT OF LAWRENCE F. UNDERHILL, PRESIDENT, NEW HAMPSHIRE FARM BUREAU, HAVERHILL, N.H.

Mr. UNDERHILL. Thank you, sir, it is my pleasure to be here. I think that this bill is an admirable effort in its main thrust to keep family farms back here where we can see them and use them.

We need to provide a climate in the Northeast which will help make this area of our great country less dependent on outside food production, often at great distances. With energy costs soaring, transportation costs soaring and dependability being questionable, maintaining our present food production capabilities is a must and increasing them a worthy goal. Land, resources, expertise, and dedicated farmers all are important factors in reaching this goal. Many provisions of H.R. 6295 are designed to do this. Some sections however in my judgment need further classification.

Title I and the entire bill refers to "small and medium-sized farms". Is my 75-cow dairy farm small or medium-sized? To me it is large compared to an operation with 10 cows but small when compared to a 5,000-cow operation. The same is true of my 11.2-acre strawberry business. I would suggest a range using units of production for the measure. For example acres, bushels, number of head, number of birds or maybe dollars income.

Title II, Farm Bureau strongly endorses increased agricultural research for all agriculture.

Title IV, appropriate technology should be clearly defined, who is to be the judges of what appropriate technology is? We are not in favor of the Federal Government having such powers.

Title VI, we support many of the tax code amendments under this title.

Title VI, keeping our agricultural land available for food production is a must. Federal dollars being made available for purchase in the State and local community would be acceptable only if local control is maintained.

Title VII, farm marketing is certainly one area which needs much improvement. The purchase of State grown food for national school lunch program is good. I also urge State run institutions to be able to buy local produce. Farm Bureau is in favor of farmer co-ops supported by farmer dollars to maintain local control.

I appreciate this chance to comment, sir, and I know the hour you wish to adjourn is close, and thank you.

Mr. AKAKA. Thank you very much, Mr. Underhill. I want to call your attention in the bill to appropriate technology. There is a definition there, on page 83.

Mr. UNDERHILL. I had only a synopsis, and I realize I am limited in my resource material.

Mr. AKAKA. There is a definition here for small farms. You mentioned some good factors such as designating the amount of money for a small farm or acres of production or number of head of cattle, but in here, it designates a small farm as one having up to 640 acres or twice the average size.

Mr. **Underhill.** This definition in the Northeast—if I may interrupt for a minute—very few people. I don't know of many who farm 640 acres. This is appropos in the Western States, but there may be a difficulty in the Northeast with that definition.

Mr. **Akaka.** Also on gross sales, it mentions here less than $30,000 adjusted annually, so there are answers to some of the questions you asked.

You also talked about capital gains tax; and I wonder. are you aware of any New England experts on the extent of the Tax Code abuses in your area?

Mr. **Underhill.** One of the best tax people we had was Cheryl Knott at the University of New Hampshire, but he left and went to the Black Mountain Polytechnic Institute. He recently changed out there. There are a couple of county agents. There is a Richard Rutherford in North Haverhill who has done agricultural tax work, a couple of names if you want them.

Mr. **Akaka.** I thank you very much for your presentation.

Now, we welcome Mr. Robert O'Brien as a witness. Following Mr. O'Brien, I have Jan Miller, Robert Hayslip, and Susan Van Rensselaer.

Welcome, Mr. O'Brien.

STATEMENT BY ROBERT R. O'BRIEN, SHEEP FARMER, TUNBRIDGE, VT.

Mr. **O'Brien.** I apologize for not having a prepared statement. Life in the last 2 years has been fraught with unexpected difficulties. Last year we had a tornado in our town, and my farm suffered heavy damage. I was more fortunate than some neighbors, who had barns destroyed and roofs torn off. This year we have had coyotes. I keep between 80 and 90 animals, mostly sheep. We have cows, horses, pigs, et cetera. One of the values I think of this bill is that it forces us, us testifying to look at our own lives, something we might not do from day to day or week to week or year to year unless this sort of opportunity arose.

So after I read your summary of the bill, I thought of trying to think about our own life, and two things stood out prominently. First of all, it has to do with the quality of rural life. Meanness, bigotry, ignorance are not confined to rural areas, but they do exist there, and to counter such human frailties, a largeness of spirit has to be cultivated.

That has to be done, I think primarily through rural institutions, and rural institutions have suffered enormously under urbanization and industrialization. That's the backrgound or one of the backgrounds, I think, of my own life, the general statement.

Specifically, although I have had many opportunities over the last several years off the farm to try to strengthen family farms, I don't think I have made significant or had significant success. I served as president of the Hanover Consumer Co-op Society and president of the Washington Cooperative Electric Societies, and I have been a State senator from my county; and I have served on the Vermont State Board of Education for a term; and in all these efforts I have tried repeatedly before the objective has always been there, how do we strengthen the family farm, how do we survive?

I would say looking at our life, two enormous drains are very prominent. First of all is schooling. I would say that the time and money that has gone into schooling our family has materially reduced our ability to farm successfully. We have four children. The school system, it seems to me, has been oriented in total ignorance of my needs as a farmer. My children aren't available to help me when I need them. We repeatedly receive broadsides from the administrators saying, for example, "It has come to my attention that parents are taking their children or keeping them out of school to help on the farm" or "Parents are taking their children to Mexico or Europe on vacations with them when they have a chance to travel abroad. Such practices have to stop. They won't be tolerated."

It seems to me school administrators have tended to look at education in the most narrow terms, and there has been no appreciation of what it takes for us to survive as a family farm.

The other major drain is transportation. In the last 10 or 15 years, nearly everything has been regionalized, the school systems, shopping, medical assistance, dental assistance, et cetera. We have become so dependent on the private automobile, that the cost of that is enormous. It is just a steady drain, and it is increasing all the time. How can we combat this? How can we do something about this?

I looked in the bill to see if there might be something there. It seems to me there might be some attention to the possibilities of decentralization. I think it is difficult for a centralized government to look at decentralism; but I think we have reached a point if we are really sincere about helping a family farm, we have to make available the necessary services that keep the family alive at the closest location. The Chinese have a practice of barefoot doctors and so on, anything of that sort.

Mr. Drew mentioned apprenticeship. It seems to me that there should be consideration in one of these titles for the whole problem of dealing with the education of the children of family farmers; and I would suggest, for example, thinking about a voucher system, that might provide an opportunity for apprenticeship to the children of family farmers. My own, for example, could benefit very much. We are primarily a sheep operation, but we have cows. We continue to have a large enough dairy operation so that my children know a lot about dairies, but if we had an opportunity through a formal education structure for my children to go off and have the time they spent on a good dairy farm as a part of public tuition of their education, that could be not only a help to my children, but it could be the entry into agriculture for many people like myself who entered farming relatively late in life.

I support the bill because in my own efforts I have tried to do what I could to strengthen the family farm; but I would like to see some attention to this question of decentralism. How can local efforts be strengthened in health and so on?

We have had in the legislative process in Vermont some ridiculous efforts to deal with agricultural development. One law, I remember, was debated in which the four top officials were mandated by the statute under consideration to meet four times a year, the commissioner of agriculture, the dean of the College of Agriculture, the head of the Extension Service; and it seemed ridiculous that we have to mandate by law that people who are primarily concerned with agriculture should be required to meet in their daily work, and yet this is why I have some reservations about any legislation about helping the family farmer. But if these reservations can be overcome, if through the Federal Government some attention can be given to decentralization, it may be a beginning. If some attention can be placed into this bill about the quality of rural life, the fact that our institutions are in a shambles and there needs to be a renaissance of rural life, then I think the bill or any help from Washington would be very valuable. I appreciate the opportunity, and thank you very much.

Mr. Akaka. Thank you very much, Mr. O'Brien. I want to tell you that a good friend of mine is your Congressman—Jim Jeffords. We both serve on the Agriculture Committee, and he does a fine job for you.

I want to bring to the attention of all those here today the excellent work of New Hampshire's two Members of Congress, Norm D'Amours and Jim Cleveland. They have consistently been supportive of legislation that would benefit the farmers of New Hampshire and I have worked closely with them on many occasions.

The people of New Hampshire are fortunate to have two such dedicated Members of Congress.

I also want to say that I am glad that you are supporting the bill with your reservations such as decentralization, your concern about schools and the way to integrate education with farm families, and the importance of transportation today that has made people so dependent on it. These are concerns that we would like to hear from people like you who are out here with specific kinds of problems. So I appreciate what you have said today and certainly it will be a strong part of the record. Thank you very much, Mr. O'Brien.

Now, I call Ms. Jan Miller, another person from Vermont who is considered a northern grower.

STATEMENT OF JAN S. MILLER, VERMONT NORTHERN GROWERS CO-OP, EAST HARDWICK, VT.

Ms. Miller. I welcome the opportunity to be here and speak to what I feel is important. I have a brief agenda to introduce myself, who I am representing, and then I'm going to go through a brief background of how the co-op got to where it is, and review some of the items I picked up through other testimony.

I am Jan Miller, and I am representing Vermont Northern Growers Co-op, located in East Hardwick, Vt. Vermont Northern Growers is a cooperatively owned business built around storing, packing, and marketing members crops which include root crops, apples, cole crops, maple syrup, and grains. The co-op also furnishes supplies such as seeds and fertilizers to its members on a cost basis and rents co-op planting equipments to members. Although the co-op is still young and growing, its achievements have been impressive, especially in a time presenting many problems for Vermont farmers. While Vermont farm numbers decline, a group of farmers have decided to face headon some of the problems of diversified agriculture and come up with working solutions to the problems.

As Vermont loses 200 acres a day of farmland to brush and development, the members of Vermont Northern Co-op are improving their fields and reclaiming farmland for crop production.

There are a number of serious problems which have aroused not only the Vermont farmer, but the American farmer, and I see these as being the rapid and accelerated decline in the numbers of farms in the country.

I see inflation, a dramatic increase in the cost of production and a decline in the prices farmers receive for their products.

Agribusiness, it costs less to ship vegetables from California and other Western States to Vermont than for Vermont to supply itself.

Also the dramatic increase in the use of chemical fertilizers pesticides, and genetic manipulation of crop varieties have made food less nutritious and hazardous to our health. There was a study in 1978 and the statistics showed that the amount of pesticides used equaled out to 3 pounds for every man, woman, and child living in the United States at that time.

I have presented a few problems that I see in agriculture today, and I'm sure there are many more that I haven't mentioned, and I see that the family farms which are traditionally the backbone of America's agriculture and economy are in a crisis. After reading through the bill, I see its importance to the American farmer, and it would immensely benefit the growers in the project that I am involved with.

I have picked out some of the sections, not so much the title, but the sections that I felt were very important and in brief why.

I see in title II, section 201, the establishment of research programs, and because this research is directed toward the improvement of small family farms, I see research as being so very important in this age of modern technology, and it is like the farmers don't have the time to do it, so I see it as a need for someone else to come in and do it. The Extension Service has helped us very much, and we happen to have a very good crew that takes us on field trips to Maine and Canada, and helps us with marketing and field visits on pest control. It is greatly appreciated.

In title III, section 305, the pest control and soil improvements instruction, is needed for farmers going into working at farming. A lot of the people have been farming chemically, and to farm organically nowadays is pretty challenging, and sometimes considered impossible; but it can be done. But I think that we need people to help us do this.

In title III also, section 306 the apprenticeship program which I see as working may be in the schools. The schools in the rural areas are convincing children that the city life is where they should head after their schooling. Maybe an apprenticeship program or some type of program could be put into the schools to show the children to take pride in the farmland, you would have more people staying home on the family farm.

There is also title III, section 308, the foreign scholarship program. I find this important to learn other methods of farming. There is a lack of communication between farmers now mostly because farmers are very stubborn, but I think if the farmers themselves, or people associated with farming, were sent over for 4 years, as stated, to learn that they would come back with new points of views ready to share with other people.

In title VI, section 601, the establishment of grant programs, I find just the capital needed to start farming nowadays makes it quite possible for a lot of us very interested in supplying the States with food. I see this grant program as being a means of doing something that you want to do, that no one should be denied.

In title VI, section 603, the purchase and sale of farms by grant recipients also is just another way of doing something that you would feel right, something that you should have the right to do.

In title VIII, section 802, the amendments to the National School Lunch Act, I personally feel that in Vermont I see the growers co-op as producing a whole lot of vegetables, and we are talking about 150 to 200 tons of vegetables. Hardly any of these vegetables are marketed in Vermont because it is cheaper for people to come in from California and supply these lunch programs. They go for the lowest bid, and sometimes you can't do that when you run your farm. Some type of law or restriction should come in that not only the schools, but other federally funded institutions, buy from the State first even if it does cost a little bit more. Nutrition is going to be better.

If I may give a brief background on the progress, it puts a little brighter picture about what we have been hearing about agriculture.

Mr. **Akaka.** How long will this take?

Ms. **Miller.** Just a few minutes.

Mr. **Akaka.** I have more witnesses, please keep it brief.

Ms. **Miller.** What I wanted to state is that Vermont Northern Growers has really grown, and it goes to show that there is determination in farming. In 1977, there were only seven farmers, and there wasn't very much acreage, but in 1978 and 1979, we increased. In 1979 we had 50 tons of vegetables go through the co-op, and as I said, this year it will be 150 to 200 tons, and that is a conservative level.

I guess it is just to say that we do need help now. We need marketing help which the bill can provide. I don't know—once it was everybody get big—now that's not working so everybody is coming back home and getting small. We are having problems, and I see this bill as helping out. Maybe we don't have to dedicate ourselves to where we will always be dependent on it, but we can use that resource to tap.

Mr. **Akaka.** I really appreciate your statement, Jan, and we will certainly consider what you said when we look at the bill. Thank you very much. Now, Mr. Robert Hayslip.

STATEMENT OF ROBERT A. HAYSLIP, FARMER, LEMPSTER, N.H.

Mr. **Hayslip.** I'll be very brief, since we are losing a lot of our audience. I am going to direct my comments specifically to you. I am a small farmer, No. 1. No. 2, I am a taxpayer. Let me explain. When I say I am small, I mean that I farm 68 acres. I raise a herd of dairy goats, a few pigs, a variety of small stock. I market produce at the Norwich Farmers Market across the river, and I sell—my mainstay is veal. I raise veal and sell veal on a direct marketing basis here in this area.

I have listened to a lot of comments and I have noted that everything I deal with is not in the tradition of New England. I am not a dairy farmer, and beyond that, I can't allude to the heritage that Commissioner Townsend alluded to. I am new, and I am right out of New York City. Sometimes those things are hard to overcome here. I am looked at sometimes as a newcomer and more often an upstart. I have been denied financial assistance by the Federal Government through the USDA, and more specifically the FmHA. I was interested in Mr. Guest's comments. I am interested in this because I am a small farmer.

It is the administration of the grants or loans, whichever they would be, that I would question, and I would sincerely question them. Mr. Hicks earlier mentioned many difficulties of New Hampshire farmers. To me the biggest difficulty for the small farmer in New England is the administration of these programs; that is, at the local county translation of Federal programs; and I am going to be very accusatory here. Specifically, I feel that the administration of the USDA's existing programs lacks objectively, the ability at the local level and succeeding levels, and I am all the way up to Washington. My case is being reviewed by Mr. Cavanaugh.

At the local level, they lack objectivity. There is no ability to think beyond the existing agricultural situation. If you are not a dairy farmer in New England, you have a lot of trouble. What's veal? It is a whole new industry. They can't fathom it. They are totally partial in this region to the large dairy producers. You heard a lot of them. They mention they have subsidies of this kind and that kind and everything else. I went for money to my local office, and I was told I lack experience, I lack this, I lack that. I have a file, and I would be happy to show you—not now—and I am not going to go into details.

Many, many hours from January through this date have been spent writing letters to Congressmen, to the various levels that I have had to deal with. I have gone to hearings and requested hearings. I have been through the whole thing, and that's my final point. They are bogged down in a total bureaucracy. Every succeeding level supports the level below it. The local guy says no, and his boss doesn't look at my facts and figures. He says, "I support the local guy," and his boss says the same thing. I know I am going to get a letter from Mr. Cavanaugh saying the same thing.

I am very discouraged. I encourage your efforts and would hope that this might do something for the person who is sincere as a small farmer, but I really wonder. I really wonder.

That's all I want to say today, and I appreciate the chance to have vented some of this and given it to you both barrels.

Mr. **Akaka**. Thank you very much, Mr. Hayslip, for your concerns. Our next witness is Susan Van Rensselaer.

STATEMENT OF SUSAN VAN RENSSELAER, CORNISH FLAT, N.H.

Ms. **Van Rensselaer**. Mr. Chairman and members of the subcommittee, my name is Susan Van Rensselaer. I am a backyard farmer, on a miniscale, and a member of the Upper Valley Foods for Self Reliance.

It is important to remember that agriculture is a primary process and because of this, the small family farm can make a contribution to the critical mess that has evolved because of the agricultural, petrochemical, industrial structure.

That's the only thing I have to say, but I do want to add that the Cornish Farmers Market completed its fourth Saturday of successful operation.

Thank you for this privilege.

Mr. **Akaka**. I thank you for your comments here today, and I wish you every success.

Ms. **Van Rensselaer**. I want to make sure the importance of considering agriculture as a primary process as compared to industry, which is, of course, secondary. This is a point that V. F. Shoemaker makes very consistently in his book. Thank you.

Mr. **Akaka**. Thank you very much, Ms. Van Rensselaer. I would like to ask whether there are any others in the audience who would like to testify here today, and also to tell you that if you have any comments to make, as I announced earlier, you may do so by writing to the Agriculture Committee.

Are there any others who wish to testify today?

[No response.]

Mr. **Akaka**. Let me close my saying that I really enjoyed this forum today. I am getting to know the people of New England, Vermont, New Hampshire, Massachusetts a little better. I was glad to receive frank statements for and against parts of the bill. This will help in the refinement of the bill when we take it up at the full committee level.

Before I sign off, may I ask the staff whether they have any comments or announcements?

[No response.]

Mr. **Akaka**. Again, I want to thank Allie Quinn and the sponsors today for making this so comfortable and for their hospitality, and indeed this was a great hearing. The subcommittee stands adjourned.

[Whereupon, at 5:28 p.m., the hearing was concluded.]

[Material submitted follows:]

PREPARED STATEMENT OF HON. WILLIAM S. COHEN, U. S. SENATOR FROM THE STATE OF MAINE

Since the major federal farm programs expire in 1981, I feel that it is very important for the Congress to seriously examine and review the status of agriculture in our country and to especially review the role and status of the "family farm."

A very important matter which involves all of the topics I will discuss is the structure of our food production system and where it appears to be heading in the near future. My colleagues and I, as well as the country as a whole, must determine what, in fact, is the "family farm" and what is its future role. Policies and discussions should be based on what is the future of the family farm. Questions should be asked concerning the take-over of family farms by agribusiness, or the merging of blocks of farmland into "family-owned" commercial or corporate farms, which seem to be the present trend in much of the country. I would question whether the family farm is, in fact, becoming extinct, and think that we must ask whether federal policy should encourage and promote its preservation. We must all remove the romantic notions of the family farm of yesterday and focus on the present status of those family-owned farms remaining. We should question whether a policy should be developed that will strengthen and protect those family farms that remain. Along with economic considerations, we must also study the social and cultural merits of preserving this heritage.

In discussing agriculture issues with farmers from the State of Maine, I have learned in the past few years that farm income has not risen in line with costs of production, marketing, and distribution. In fact, farm income nationally declined by 39 per cent in the second quarter of 1980, as compared to the same period in 1979, according to USDA. This trend indicates a future of hardship and disaster for many of our country's agricultural producers.

Maine farmers, as well as other agricultural producers in the Northeast, are at the mercy of inadequate and outdated transportation systems and networks. The transportation issue and its relation to agriculture should be a top priority in upcoming discussions and legislative proposals. In line with this thought, the question should be asked whether the Northeast as a region should be dependent upon other areas of the country for certain commodities. We should also examine whether short-term efficiencies in the production sector of these other agricultural areas are in the best long-term interests of the regional consumer as well as the regional economy of the Northeast.

We must address the issue of adequate financing in the agriculture sector in upcoming legislation. Farmers in the Northeast, as well as nationally, are often limited in securing available sources of capital. In Maine, for instance, the Farmers Home Administration finances over 40 per cent of the state's potato crop. I question whether the farmer should be dependent upon federal programs, or whether private sector investment should be encouraged, along with a strengthening of the existing Farm Credit Administration system. In addition, federal financing programs, such as the FmHA, should be cognizant of long-term financial planning needs of the producer. I have found in Maine that the FmHA is often the lender of last resort. The producer frequently is heavily in debt when he seeks financing, and FmHA loan limits and regulations do not often permit adequate long-term capital and operating funds. Rather, it seems that often these programs just keep the farmer operating at marginal levels, always on the verge of bankruptcy. We must consider the future role of the FmHA and whether its farm loan policies should be strengthened or realigned.

The Administration, as well as Congress, should encourage and support a strong agricultural export development program. Recent USDA figures on U.S. farm exports indicate that agricultural exports are the largest portion of U.S. exports, returning nearly $35 billion to the U.S. economy. Agribusiness firms and farmer cooperatives have the expertise and ability to aggressively supply world food markets, provided they are supported and given an adequate infrastructure by the federal government. I do not feel that USDA should be in the food marketing or exporting business, as such. However, the Department should provide the necessary financing aids, transportation assistance, and market information necessary. The roles of the Foreign Agriculture Service (FAS), the Commodity Credit Corporation (CCC) and the Export-Import Bank could be strengthened to accomplish these goals. The Department should continually monitor foreign food markets, the levels at which our foreign competitors are being subsidized or assisted by their governments, and aggressively meet the competition. This effort can only succeed given there is a strong commitment by both the federal government and the private agribusiness sector. The benefits of such a policy will soon be felt by the family-owned production unit.

I am particularly disturbed about the trends in agricultural research and the potential impact on food policy in the coming years. Congress should support a strong research program, one especially addressing energy alternatives at the farm or production level, alternatives in pest control management, and continued development of hybrid seeds and plant varieties. If we are to maintain our superiority in agriculture internationally, we must maintain a leadership role in agriculture research. I do not believe that the private sector will continue to fund these programs at past levels, because probable long-term benefits cannot be shown in immediate profit and loss statements. The private investor, given present economic conditions, is often reluctant to wait for future dividend rewards. This is an area where USDA should assume an immediate leadership role.

Soil conservation and rehabilitation programs must be strengthened at both the research and implementation levels if we are to have a viable agriculture sector by the turn of the century. I have been very concerned about the loss of valuable topsoil in my own State of Maine which has been caused by rain, spring run-off, and farming techniques. This problem also exists in other neighboring northeastern states. The farmer is usually unable to finance soil projects on his own land, and even if financing is available, he often cannot justify the long-term investment when he is dealing with short-term cash needs, coupled with rampant inflation in production costs. Any federal assistance must be in the form of cooperative arrangements. The federal government, as well as the individual state governments, cannot determine in every case what soil management practices are in the farmer's best interests. There must be joint agreement in policy, as well as implementation.

The future role of the nation's commodity exchanges should be examined, with particular concentration on their role as a pricing mechanism end tool and as a viable marketing alternative for the farmer-producer. It is often suggested that only 10 per cent of our nation's farmers use futures. Yet when one looks at production figures, often between 40 and 50 per cent of the various commodities are hedged on the exchanges. Following this through, the larger, more sophisticated marketers at the farm level use futures as a tool in their marketing programs. Many "family-owned" commercial farms are in this category. It is obvious that many of these farmers are in a strong financial position and are expanding their operations. The exchanges would be well advised to make a strong effort to assist and educate smaller farmers, so that they can also take advantage of these opportunities in the marketplace. USDA should also contribute to the educational effort. The role of the Commodity Futures Trading Commission (CFTC) should be examined in its relation to the rapidly-expanding futures industry. We should resolve the issue of self-regulation by the exchangds versus a strong government role. I would prefer that the exchanges expand their efforts in this area and eliminate any need for further governmental control. However, I recognize the protection both investors and hedgers need if the industry is to adequately serve the agriculture sector. In addition to futures options, the farmer must be educated in all modern agriculture marketing techniques.

We must seriously review national production by commodity and examine the federal role and programs as they exist. For instance, present policies seem to encourage large production nationally, which has, in turn, caused low prices to farmers. In the short run, this has benefited consumers. However, if the farmer cannot afford to remain in business, or must work to gain short-term profits at the expense of long-term capital needs, will the consumer benefit in the long-run? I think not. We must consider the benefits of strong farm-gate prices and the effects these prices have on local and regional economies. I question whether short-term benefits derived under low-price policies will truly benefit the consumer, as well as our national interest, in the longer term.

These are all issues that must be addressed very quickly. I am concerned about what is happening in my own State of Maine in the agriculture sector. I find Maine's agricultural industries -- potatoes, poultry, blueberries, dairy, apples, and forestry -- to be buffeted by outside market forces and policies over which they have little or no control. Changes are taking place rapidly in all of these industries. On one hand, the small family-operated farm that we all knew in the past is disappearing. Yet, often appearing in its place is a family-owned commercial farm, often very specialized, more sophisticated in marketing, and more able to attempt some of the things I have mentioned. I am concerned that these efficient producers, the backbone of our agriculture sector, have every benefit in producing our food needs. I sincerely hope that the Agriculture Committees of both the House and Senate look at these issues carefully and propose suitable legislation to deal with the issues in the next decade. Given an adequate return on investment with a reasonable yearly profit, our nation's farmers will continue to provide us with the food we need for ourselves, as well as the rest of the world.

The University of Vermont
DEPARTMENT OF AGRICULTURAL AND RESOURCE ECONOMICS
178 SOUTH PROSPECT STREET
BURLINGTON, VERMONT 05401

July 22, 1980

Ms. Chris Abrams
Family Farms Subcommittee
Room 1301
Longworth House Office Bldg.
Washington, DC 20515

Dear Ms. Abrams:

Thank you for the opportunity to attend and participate in the hearing on H.R.6295-FFDA of 1980. Unfortunately, because of the very short notice, I will not be able to attend. However, in reviewing the provisions of H.R.6295, I find that I strongly support the intent of the bill.

As you must know, small and medium scale farms represent more than two-thirds of our farms in Vermont, and probably a similar proportion for the rest of Northern New England. These farms are located throughout the State, produce a wide variety of commodities, are both full and part-time operations, utilize a number of alternative market outlets, and have operators with diverse backgrounds of experience. The need for public support is great, since, I feel, substantial contributions can be made toward providing food needs for the region.

These contributions are dependent upon the development and utilization of appropriate production and marketing technologies. If the production and marketing of agricultural commodities can be made profitable, the need for agricultural grants, subsidies, etc. will diminish. This is what we should be striving for, not an agricultural system that becomes dependent on the public subsidy. I recognize that start-up grants may be necessary, but they should have a stated termination date—as some of the grants in this bill do. I strongly support this approach.

I feel that there is a greater need for research and education in the area of marketing than in production. Farmers in New England have demonstrated that they can produce a variety of commodities, as have farmers in other areas. However, market opportunities may be limited for the individual small and medium scale farmer. Accordingly, greater effort should be placed in developing marketing technologies. At the same time we need to realize that there are size-specific problems in production, but I feel they are less limiting, than the marketing problems. I hope your legislation will reflect this need.

I support your efforts to increase the availability of loanable funds for the acquisition and development of farms, technology, and market systems. However, the greater problem may be the lack of experience of the traditional loan officer to deal with nontraditional agriculture. I would urge that you include in your bill provisions for the education of the loan officers to make efficient use of the new source of loanable funds, rather than deny the application of a loan because they are not familiar with a particular production or marketing enterprise.

I would be happy to support your efforts to get H.R.6295 passed. If there is additional help I could provide, do not hesitate to contact me.

Sincerely,

NH Pelsue Jr

Neil H. Pelsue, Jr.
Associate Professor and
Agr. Economist

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Testimony for Committee on Subcommittee on Family Farms Rural Development and Special Studies

U.S. HOUSE OF REPRESENTATIVES
Delivered by Coastal Enterprises, Inc.
August 18, 1980

Coastal Enterprises, Inc. is a community development corporation serving midcoastal Maine. The purpose of CEI is to increase income and employment in the natural resource industries through providing financing, loan packaging, planning and technical assistance.

CEI's Small Farm Program has been a leader in extending economic opportunity in our area, as well as serving as a model for the entire region. We have organized farmers markets, assembled an innovative vegetable marketing cooperative, and spearheaded the redevelopment of an old farm industry in Maine, sheepherding. CEI has also participated in numerous agricultural policy forums, including testifying at the USDA's Structure of Agriculture Hearings.

On the whole, the Family Farm Development Act is a much needed redirection of resources towards those who are frequently neglected by USDA programs. The trends toward growing specilization, capital intensity, and farm size needs to placed within the context of public programs, which according to USDA Secretary Bergland, promoted these trends. The Family Farm Development Act can help Maine family farmers survive these forces which reduce economic opportunity and may, in some experts' opinions, contribute to higher food prices through market control and bloated marketing costs.

Contrary to legislative forerunners which frequently attack problems piecemeal, the FFDA addresses a wide variety of issues. Although CEI wishes to endorse the FFDA as a whole, the following is confined to issues of particular relevance to Maine.

In that land grant universities have often undermined family farms through their research efforts, it makes a good deal of sense to broaden the eligibility base for research beyond these institutions. The FFDA's research agenda involving investigation in the causes of family farm demise can pull together many of the socio-economic pieces, such as program bias, relative efficiencies of farm sizes, and the role of agriculture in the local economy, which have helped inspire a willingness to examine the current structure of agriculture. This study should include an analysis of the subsidies rife in agriculture such as the western irrigation subsidy, sometimes totalling hundreds of dollars per acre, which could change competitive positions if distributed to all farmers.

CEI's development work involves one-on-one relations with farmers. The proposed paraprofessional program can provide the kinds of relationships and expertise needed to effectively educate farmers for economic improvement.

Of course, education without capital is ineffective. The FFDA's provisions regarding the FmHA are appropriate, but incomplete. The original limited resource farmer loan program, formerly included in the FFDA, needs clarification since evidence suggests that many needy farmers are not being served.

An illustrative example, is the limited resource loans to cooperative provision. Although the legislation authorizes loans to co-ops engaged in "farming", the regulations effectively prohibit such loans in New England. Presently, the USDA has identified "production" co-ops, which constitute a very small percentage of co-ops in the nation, as eligible for loans. There probably never will be such a co-op in Maine or New England since such an organization is contrary to cultural and geographic patterns. The legislative problem is traceable to FmHA's determination that "farming" equals "production" and no other activity commonly involved on a farm. Farming is more than tilling the soil; it is also marketing the goods. FmHA's narrow definition of farming eliminates from eligibility most co-ops, which are of the marketing or supply variety.

To make things worse, FmHA has added other regulations which compound the eligibility problems. Co-ops are also ineligible for loans if they have members who already have a FmHA loan. This is contrary to common since in that farmers who need the limited resource program the most are likely to be the same farmers who need the co-op the most. Another unreasonable eligibility restriction is the requirement that the size of the cooperative be consistent in acreage with the size of family farms in the area. While I congratulate FmHA's intentions to restrict loans to family farmers, it does not make sense to require that a cooperative composed of many farms be equivalent in size to one family farm.

CEI is quite familiar with the legislation through our work with one of the USDA's Small Farm Assistance Projects, the Kennebec Valley Growers Cooperative, a marketing association. Although the project received a USDA commitment for financing, the agency only offered a loan at 18 percent, an unworkable financial burden to low income farmers. This innovative project almost collapsed before it was off the ground due to the agency's poor management and insensitivity.

While I extend strong endorsement of the Family Farm Ownership and Legal Services provisions of the FFDA, I wish to confine the remainder of my comments on the marketing component of the bill. In Maine, marketing is the crux of the small farmer's problem. In addition to lack of market access, farmers are plagued by poor returns attributable to lack of marketing skill and power, and market exploitation. Market research, strategizing, and organization is needed.

The FFDA has targeted some critical marketing institutions. Cooperative Services technical assistance has been very helpful to the Kennebec Valley Growers and should be extended as the FFDA provides. The Agricultural Marketing Service is broadly mandated by the Agricultural Marketing Act of 1948, but does not presently interpret its role so flexibly and it is underfunded. The agency needs to be opened up to explore and facilitate new marketing ventures for small farmers. The FFDA's emphasis on marketing through the National School Lunch Program is appropriate, but insufficient. Other programs and agencies must also be opened up, such as the Department of Defense which operates large, dispersed facilities offering sizeable markets.

It is critical that food purchasing arrangements of these entities be scrutinized for bias and reorganization. In addition to the problems of the surplus foods program eliminating a market opportunity the food procurement system can also be a marketing hurdle. Consider the case of the Brunswick Naval Air Station in Maine. After three monthes of phone calls and haggling, the Kennebec Valley Growers finally received permission to sell to one arm of the facility. However, the price against which the co-op is asked to compete is not the price to their door for alternative suppliers, but the price which they pay in the regional produce market without the transportation expense, which is worth about 15 to 20 percent. It seems that they do not compute transportation on the costs of any transported items since these are usually trucked by one firm which is paid as a separate line item. Unfortunately, this transportation factor is critical to the co-op, whose growers have higher per unit costs than far western or southern competitors. Their market accessibility advantage is being wiped out, however, by inaccurate accounting methods. The other arm of the defense installation refuses to purchase local foods unless they are trucked 150 miles to Boston, after which they are shipped back again.

Agriculture is important to Maine. Adjusting capital income for the cost of living places the state 50th in income nationally. At the same time we import the vast bulk of our food. As the impact of CEI's modest efforts illustrate, agriculture represents an important opportunity for increasing our income while capturing the outflow of food dollars for recycling locally. The Family Farm Development Act can be a fundamental tool in this struggle for livelihood and equity. Coastal Enterprises, Inc. urges that it be positively received by this Subcommittee and the Congress.

PREPARED STATEMENT OF SUSAN SCHWARTZ, THE ILLINOIS SOUTH PROJECT, INC., HERRIN, ILL.

Illinois is the nation's leading agricultural exporting state with farmland and farm families that consistently produce record corn, soybean and other grain yields for national and global markets. The role of the family farm in this food production system is the key to its success and efficiency. Yet, despite the apparent "health" of Illinois agriculture, it is actually in deep trouble today because of the disintegration of the family farm as the basic unit of production. The Family Farm Development Act is an essential first step toward stopping some of the dangerous trends that are causing the decline of family farms, and begins to address and rectify some fundamental policies that impact the family farm system of agriculture in Illinois and across the nation.

The Illinois South Project is pleased to present this testimony to the U.S. House of Representatives Subcommittee on Family Farms, Rural Development and Special Studies of the House Agriculture Committee in support of the Family Farm Development Act, sponsored by Representative Richard Nolan of Minnesota. The Illinois South Project, Inc. is the foremost public interest organization in the Midwest addressing the environmental, social and economic impacts of energy development, especially in regards to Illinois' agricultural resources. Since the Project's inception six years ago, we have grappled with issues that emerge in the conflict between the coal mining and agricultural economies, and we have seen the farm sector losing out. We do not feel that these two fundamental economies must inevitably undercut one to benefit the other, yet present policies and development incentives create this dichotomy. The Family Farm Development Act seeks to address some of these problems.

Recently, the Illinois South Project has initiated and been working closely with the Illinois Farmland Coalition, a broad-based, statewide coalition of farm, labor, environmental, community and church groups that has been seeking the adoption of state legislation that enhances farmland ownership by farming families by restricting unfair competition for land from non-farm corporations and absentee landowners. In the Illinois Farmland Coalition's recent work, it has identified the loss of landownership by farming families as one crucial problem confronting family farming in Illinois today. As one example, Illinois coal companies, almost all of which are subsidiaries of the nation's leading energy conglomerates, are establishing agricultural subsidiaries both before and after coal mining takes place. These agricultural subsidiaries control vast acreages of land that are rarely returned to the family farm sector, but remain under absentee control based on purely an investment potential without regard to the stewardship responsibility to the land and the long-term stability of the rural community. Specific examples state the case. Peabody Coal Company owns Peoria Farms, about 10,000 acres in the Farmington area of Fulton and Peoria counties. Southwestern Illinois Coal Corporation, owned by Arch Minerals, raises some 2,800 head of cattle and 500 hogs on its Galum Creek Farms, its farm management subsidiary. Perry and Jackson counties house Fidelity Farms, the agricultural management operation for Freeman United Coal Mining Company. Zeigler Coal Company, owned by Houston Natural Gas, farms about 5,800 acres of its land. And Meadowlark Farms, a subsidiary of Amax Coal Company, is managing almost every acre of its land not in coal production, which comprises more than 100,000 acres of land in Illinois and Indiana.

The Family Farm Development Act in its entirety is an important bill because of its comprehensive coverage of many factors that impact Illinois' agricultural health. In our experience throughout Illinois, Titles II and III with regard to research programs focusing on landownership; Title V's Tax Code amendments; Title VI's grants to communities for family farm ownership; and Title X's legal services to farmers and rural people are certainly the most pertinent to the Illinois Farmland Coalition's concerns today. I will comment specifically on these Titles shortly. I would first like to offer a profile of Illinois to set the context for the significance of the Family Farm Development Act in our state.

Illinois is well known for its rich farmland and its highly productive farms. Nationally, Illinois has ranked fourth in its total value of agricultural products sold, according to the USDA 1974 Census, and is the leading soybean producing state, having

pages tightly bound

produced over 17% of the U.S. total soybean crop. Illinois leads the nation as an agricultural exporting state with about 1/4 of the State's agricultural products going overseas. Eighty-one percent of the State's land base is in farms. In 1975, 22.8 million acres of crops were harvested. Much of this agricultural richness comes from the fact that Illinois has a climate nearly ideally suited for corn and soybean production and is blessed with some of the most fertile soil in the world.

This economy is built on a stong family farm system which has the flexibility to meet changing needs for food production. Farming families are traditionally the very backbone of agriculture in the Midwest, and have proven to be highly efficient producers of food. They carry a conscious attitude of stewardship in their use and regard for the land. The ownership and control of land by farming families has proven to be fundamental to responsible use of resources, a deep commitment to future generations and faith in accomodating the many variations experienced in farming for a hungry nation and world. Rural communities based on an independent family farm system are healthy and more economically viable than those which service absentee owners.

On the surface, the Illinois cornucopia appears healthy and abundant, carefully woven, filled and tended by numerous farm families across the State. Unfortunately, this facade withers under careful examination. In 1977, reports showed an increasing trend in land tenure patterns away from full ownership of land towards part-owners and tenants. These statistics show that 57% of all Illinois farms with sales of $2,500 or more annually are either part-owned or tenants (34% and 23% respectively). This percentage is the highest for any state in the nation with more than 91% of this rented land owned by those who are not operators themselves. Cornbelt farmland (Illinois, Indiana and Iowa) is the most expensive rental ground in the U.S. and Illinois has the highest average cropland cash rent of these states. USDA estimates that average gross rents on Cornbelt cropland run two to three times that in the Northeast U.S. Since ownership of farmland plays a critical role as a farmers' equity base, the loss of this control can impede the ability to borrow and expand.

The richer, more productive farmland which yields higher prices tends to be run by tenants and lower-priced land leans toward owner-operation. Not only are such increasing trends placing considerable strain on the traditional family farm operation, but the associated small farm suppliers, agricultural input dealers and marketing concerns of rural communities are inevitably impacted as well, when farmers are forced out of business. Also, about 100,000 acres of farmland in Illinois go out of production annually due to stripmining, highway construction, urban sprawl and development pressures.

In Illinois, the number of farms has dropped to 122,000 in 1976, alomst one-half the farms in 1924. The number of farms larger than 1,000 acres increased by 60% since 1969, however the number of small farms (180 to 499 acres) dropped from 50,266 to about 40,000 in the same period. Illinois' farm population is one fourth of its former self having fallen from 16.8% in 1920 to 4.3% of the State's population today. Since 1940, Illinois lost an average of more than 50 farms weekly.

At this point, it is important to note that Illinois is both an agricultural state and an energy state. Illinois is the nation's fifth leading coal producing state. A critical factor in Illinois' energy development that impacts Illinois' farm system revolved around landownership and the changing pattern of tenure that Illinois is experiencing. In 1978, the Illinois South Project published a study entitled, Who's Mining The Farm, documenting the landholdings of coal and energy companies in 35 of Illinois' coal producing counties. Over 380,000 acres were found to be owned by energy corporations, and this represented only the tip of the corporate iceberg. Many of these coal corporations with their agricultural subsidiaries directly compete with local farmers in the marketplace. Frequently, coal company-owned land that they are not farming is rented to local farmers. In our experience, such rental properties demand higher prices, and set the market conditions in a county. Contracts and relationships between the coal companies and their tenant farmers are only short-term in nature and can be arbitrary and precarious.

To summarize the coal and agricultural conlict, we find that agriculture and coal mining are Illinois' first and second largest industries respectively. Coal underlies 65% of Illinois' land surface, and Illinois has the largest bituminous coal reserves in the country. Illinois has over one-fifth of the nation's total acreage that overlies strippable coal reserves. The State's coal producing counties are also food producing counties and much of the State's coal underlies some of the richest soils in the world. In addition, Illinois has been targeted by both industry and government for development of coal conversion (coal liquefaction/gasification), and the renewed national push for 'energy independence' has given coal an increasingly important role. Massive amounts of resources are being committed to developing ways for coal to meet a greater share of our energy needs, resulting in greater pressure to extract the coal which underlies so much of Illinois' farmland. Agricultural land, especially prime farmlands, is a natural resource which must be protected and preserved for present and future food production. Decisions to use productive farmland for any other use which could limit its future productivity (as in stripmining) must be made only after carefully weighing the long-term environmental, economic and social impacts of those decisions. The increased pressure for coal extraction and utilization has heightened the conflicts between coal and agriculture in Illinois, and threatens the already shakey family farm system.

Clearly, corporate control of farmland does not rest exclusively on the coal and energy corporations. In a brief study of all corporations involved in agriculture in Illinois, conducted by the Illinois South Project, our preliminary findings show that of the top 10 corporations involved in farming in Illinois, 9 are not involved in farming as their major business and have more than 16 shareholders (thus presumably are not family farms). The one exception is a foreign corporation based in the Netherland Antilles that holds 11,700 acres of farmland in Fulton County. The total farmland held by these 10 corporations is 296,072 acres (with 153,914 acres under cultivation). The total acres of farmland held by corporations not engaged in farming as their major business is 692,822 acres statewide.

Although some contend that these figures on a statewide basis are not extreme, when one looks at non-family corporate involvement on a county level the implications become very serious. In Henry County, which ranked number one in the country in hog production sales and sixty-four in value of agricultural products sold, we find 13,152 acres of farmland owned or controlled by corporations whose major business is not farming. In Perry County, 30% of its farmland is owned or controlled by corporations, and 63,927 acres are owned by corporations with more than 16 shareholders. Since this data was compiled from a one-shot study conducted by the Agricultural Stabilization and Conservation Service as mandated by the Food and Agriculture Act of 1977, it is difficult to know how representative these figures really are and to learn how corporate involvement has grown over the years. The Family Farm Development Act's research directives will facilitate this essential flow of information.

The Family Farm Development Act will be fundamental to Illinois agriculture upon its passage. Titles II and III: Research, Education,Demonstration and Training Program which focuses on landownership will greatly facilitate Illinois, and all states, in their attempts to find out landownership information. In our experience, finding such data is an extremely difficult, time intensive, frustrating and laborious process. Such information should be available for public use and review, and as a basis for sound public policies that dictate the direction of America's farm structure. Title V: Tax Code Amendments will act to prevent non-farm corporations and outside investors from using losses or expenses from farming to offset profits earned off the farm. Illinois South Project has not documented such practices by non-farm individuals or corporations involved in Illinois agriculture. However, we have seen cases where coal companies have contested their county tax bills and pay far less than their fair share of taxes. It is safe to assume that any tax advantages due to a coal company's loss on its agricultural subsidiary are fully enjoyed. Also, foreign investment constitutes one aspect of absentee farmland ownership in Illinois, and such investors enjoy tax advantages not available to local farmers and rural residents. The Family Farm Development Act seeks to close some of the existing loopholes and stop unfair advantages enjoyed by non-farm corporations and outside investors.

Title VI: Grants to Communities For Family Farm Ownership will provide for federal grants for the purchase of farmland. It is our hope that such a program will alleviate some of the pressures being exerted on farmland and will continue to keep farmland within family farm agricultural production. This title should seek to increase land availability and to promote the capability of farmers to buy land in Illinois' highly competitive land market. Such provisions as offered in this title will inevitably encourage young and beginning farmers to enter into agriculture as well as buffer existing farm families from the extreme pressures to sell their land for the sake of immediate survival. The title's board of representative members of the local community to administer and oversee the program in each community will hopefully facilitate the establishment of local priorities enhanced by "first hand" knowledge of the needs of the local communities.

Title X: Legal Services to Farmers and Rural People is a curcial title for it provides an opportunity for farmers to have increased access to legal services. This title's particular emphasis on legal services for problems related to the ownership and operations of farms is critical to Illinois agriculture as farming families face high-powered corporate lawyers in their dealings with coal companies as well as Chicago-based banks and investment firms.

Again, I would like to emphasize the important of the Family Farm Development Act in its significance to Illinois and the nation. Such legislation is more than timely, it is long overdue. I urge your support of the Family Farm Development Act. Thank you for the opportunity to present this testimony.

AUG [illegible] 1980

INTERRELIGIOUS TASKFORCE ON US FOOD POLICY

110 MARYLAND AVENUE, NE, WASHINGTON, DC 20002 202/543-2800

August 5, 1980

The Hon. Richard Nolan
Subcommittee on Family Farms
and Rural Development
Committee on Agriculture
US House of Representatives
Washington, DC 20515

Dear Mr. Nolan:

We are pleased that the Subcommittee held a hearing on July 27 on the Family Farm Development Act (HR 6295). The Interreligious Taskforce on US Food Policy supports the Act in principle and hopes that it can be a vehicle for more careful attention to the needs of small and moderate-sized farmers.

The Taskforce is a coalition of more than two dozen national religious bodies that work together for a morally responsible US food policy. The Taskforce speaks for itself and not for its individual member bodies, but its statements are consistent with the public policy statements of major religious groups.

We enclose two recent statements and ask that they be made part of the hearing record on HR 6295.

"Interfaith Statement on Public Policy and the Structure of US Agriculture" calls for "preservation of an agriculture based primarily on small and moderate-sized family farms." It was signed by representatives of thirteen faith groups in April 1980.

"Toward a More Just US Farm Policy" is a policy statement by the Taskforce, also released in April this year.

Thanks for your continued attention to these issues.

Sincerely,

George A. Chauncey

George A. Chauncey

Enclosures
GAC:mr

cc: The Hon. Daniel K. Akaka

THE TASKFORCE IS A TEAM OF WASHINGTON-BASED STAFF OF NATIONAL RELIGIOUS AGENCIES. THESE BODIES OR THEIR PROGRAM BOARDS COOPERATE IN ITS WORK: AMERICAN BAPTIST CHURCHES, USA • AMERICAN JEWISH COMMITTEE • AMERICAN LUTHERAN CHURCH • BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS • CHRISTIAN CHURCH (DISCIPLES OF CHRIST) • CHRISTIAN LIFE COMMISSION OF THE SOUTHERN BAPTIST CONVENTION • CHURCH OF THE BRETHREN • EPISCOPAL CHURCH • FRIENDS COMMITTEE ON NATIONAL LEGISLATION • JESUIT SOCIAL MINISTRIES • LUTHERAN CHURCH IN AMERICA • LUTHERAN CHURCH—MISSOURI SYNOD • MARYKNOLL FATHERS AND BROTHERS • MORAVIAN CHURCH IN AMERICA • NATIONAL COUNCIL OF CHURCHES AND CHURCH WORLD SERVICE • PRESBYTERIAN CHURCH IN THE US • REFORMED CHURCH IN AMERICA • UNION OF AMERICAN HEBREW CONGREGATIONS • UNITARIAN UNIVERSALIST ASSOCIATION • UNITARIAN UNIVERSALIST SERVICE COMMITTEE • UNITED CHURCH OF CHRIST • UNITED METHODIST CHURCH • UNITED PRESBYTERIAN CHURCH IN THE USA • BREAD FOR THE WORLD • CENTER OF CONCERN • NETWORK • WORLD HUNGER EDUCATION SERVICE. THE TASKFORCE, WHICH SPEAKS FOR ITSELF, PROVIDES INFORMATION AND RECOMMENDATIONS ON US FOOD POLICY TO ITS COOPERATING AGENCIES AND THE NATIONAL IMPACT NETWORK.

George A. Chauncey Presbyterian Church in the US Chair

FOR CURRENT INFORMATION CALL US TOLL-FREE AT 800/424-7292 (WASHINGTON RESIDENTS CALL 543-2800)

INTERFAITH STATEMENT ON PUBLIC POLICY AND THE STRUCTURE OF US AGRICULTURE

In the two centuries since its birth, America has drawn both physical and spiritual nourishment from an agriculture based on small and moderate-sized farms. The yield of these farms fed our people. Farmers worked to protect the vitality of our land in order to leave a sound inheritance to the next generation. Many of the small towns that helped shape the American character flourished as trading centers for farm people. Our food supply remains secure because productive land was not the private preserve of a rural gentry, but rather was distributed among millions of our fellow citizens. Finally, family farms of modest size offered a unique opportunity for a certain way of life, simple, self-reliant, close to nature and to God.

Today this source of national strength is at risk. Four million farms have vanished over the past half century, and America is still losing 30,000 a year. The loss of farmland by minority people has been especially severe.

Consolidation in the agricultural sector has many causes: the progressive industrialization of society, the substitution of machines for labor on the farm, the individual economic and social rewards of farm expansion, and so on. Some of this consolidation was probably inevitable and even now individual producers may feel great pressure to expand their farms. However, there is no significant overall economic benefit likely from further consolidation. Moreover, social and community costs of this trend have been and will continue to be high.

One of the most potent forces fueling the trend towards fewer and larger farms has been federal agricultural policy. Legislation has often had the effect of benefiting large farms at the expense of small ones, provided incentives for excessive expansion, and made it more difficult for young people to get a start in agriculture.

As religious leaders, we view the deterioration of the family farm system with alarm and pain. It alienates ordinary people from the land, which is God's free gift to all. It saps the strength of rural communities. And it creates a situation where control of food production could be concentrated in the hands of a few. We cannot stand by and see this happen without protest.

Many of the religious traditions we represent have taken public positions on the plight of the family farm. Drawing from the concern of our respective fellowships, we declare our support for public policy that would:

1. Actively encourage the preservation of an agriculture based primarily on small and moderate-sized family farms.

2. Strive to ensure that families that derive a substantial part of their livelihood from farming can earn an equitable return on labor and management. Commodity pricing policies should consider both justice to American farmers and possible disincentives to developing nation farmers from underpriced exports.

3. Restructure tax laws and target the payments from federal commodity programs so as to strengthen an agriculture based primarily on small and moderate-sized family farms. This involves eliminating incentives that favor large units, stimulate absentee ownership, or encourage corporate control of resources.

4. Promote the continued renewal of an agriculture based primarily on small and moderate-sized family farms by establishing programs to aid new farmers in acquiring land. Low-cost credit and loan guarantees should also be made available

to small and beginning farmers with limited resources.

5. Seek to stop the loss of land by minority farmers and establish programs to help reverse the trend.

6. Actively encourage cooperation rather than competition among farmers through such devices as community land trusts, collective bargaining, purchasing and marketing cooperatives, and equipment and labor-sharing arrangements.

7. Seek to provide farm workers the basic privileges and protections provided other American workers. Help qualified farmworkers to become farmers in their own right or train them for other dignified and substantial employment.

8. Create special extension, training, and cooperative programs to help small farmers, whom government aid often fails to reach.

9. Distribute access to public land and water rights so as to strengthen an agriculture based primarily on small and moderate-sized farms.

10. Target government-funded research and extension so as to strengthen an agriculture based primarily on small and moderate-sized family farms. Give special attention to developing technologies appropriate for use on small and moderate-sized farms.

We must never forget the words of the Psalmist, "The earth is the Lord's and the fullness thereof." Public policy that pursues these broad goals, in our time and place, will contribute to responsible stewardship of the precious earth and its bounty of food, and to justice for farmers.

The Rev. A. James Armstrong
Bishop of the Dakotas Area
United Methodist Church

The Rev. Shirley E. Greene
Executive Secretary
Wyoming Church Coalition

Sr. Dorothy Kinsella, O.S.F.
NETWORK

Paul Longacre
Hunger Concerns Secretary
Mennonite Central Committee

Most Rev. Lawrence J. McNamara
Bishop of Grand Island, Nebraska
President, National Catholic Rural Life Conference

The Rev. Joseph B. Muyskens
Secretary for Social Ministries
Reformed Church in America

Dr. Foy Valentine
Executive Director
The Christian Life Commission of the Southern Baptist Convention

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April 30, 1980

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HUNGER

No. 23 April 1980

TOWARD A MORE JUST US FARM POLICY

Attainment of sustained and self-reliant food production in developing countries has been a long sought goal. Many analysts agree that key among the several conditions necessary for reaching that goal are (a) widely dispersed and equitable access to land and water and (b) security of tenure for farmers, whether by individual or communal ownership, equitable leases, or some alternative means.

Other necessary provisions include: a high national priority given to basic food production; widespread participation in community and national decision-making; carefully constructed price incentives; equitable access to credit, storage, and markets; appropriate education, training, and technology; and adequate public investment.

These prerequisites for a successful food system are, of course, required of any country, including the US. American agriculture developed, for the most part, from just such foundations. National policies promoted widespread ownership of land by farming families. A strong transportation network provided access to markets, while farmer cooperatives for buying, selling, and obtaining credit were encouraged. Two major exceptions to the widely dispersed family farm system—the plantation system in the Southeast and the hacienda system in the Southwest—should be noted. But overall the structure which emerged provided the basis for a relatively sound and extremely productive agriculture.

But what about the situation today? And what do current trends hold for tomorrow? This HUNGER examines the movement toward consolidation within the US family farm system and suggests legislative reforms which in our opinion would result in a more just US farm policy. We solicit your insights and questions on the issues raised in this paper.

A THIRD ERA IN US FARM POLICY?

Until well into this century, US farm policy focused on the goals of growth and development. This era was highlighted by the Homestead Act and other land settlement programs which encouraged large numbers of ordinary families to establish small farm operations across the country. A strong element of social equity was built into these various programs: farm sizes were limited and residency by owner-operators was encouraged, thus promoting widespread ownership of productive resources.

In the decades since the Great Depression, the goals of efficiency and productivity have taken precedence. In large part, this change in emphases has reflected the technological revolution in agricultural production which relied on a substitution of capital and fossil fuels for labor. Farm policy during this era has focused on controlling surpluses and compensating farmers for low prices resulting in part from productivity increases. Land access and tenure policies directly affecting the structure of agriculture,* so important in the previous period, have been by and large ignored. Yet, the programs from this era have not been without structural consequences. Legislation, almost always promoted in the name of the family farm system, often has had the effect of benefiting large farms at the expense of moderate-sized ones, thus providing incentives for continual expansion and making it more difficult for young people to get a start in agriculture.

Presently, a third era in US farm policy is taking shape. Concerned people are giving increasing attention to issues of structure and social values as counterweights to a narrow focus on efficiency. Nearly a decade ago, for example, Philip M. Raup, a professor of agricultural economics at the University of Minnesota, concluded that given the generally high levels of efficiency and the relatively low farmgate food prices of the current agricultural system, "society's interest in the size-of-farm question has less to do with . . . allocation efficiency and more to do with intangible values, including distributive equity, community structure, population distribution, and rural amenities."[1]

In addition to this re-emerging concern with structure and social values, the decade which began with Earth Day and the rise of OPEC has also intensified concern over energy and environmental values. Although the answers are not in yet, an important "third era" question is being asked: are there any correlations between the structure of agriculture and conservation or adaptive techniques in an energy/resource-scarce future?

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*The term "structure of agriculture" refers to such factors as the number and sizes of farms, the control and ownership of productive resources, and barriers to farm entry and exit.

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THE SOCIAL COSTS OF CONSOLIDATION

The basic trend prompting new questions is one toward fewer, larger farms and increased concentration of control over agricultural resources. In our judgment, consolidation within the US farm sector is moving both faster and further than is desirable. Continued consolidation threatens to damage and perhaps destroy a widely dispersed and primarily operator-controlled system of agriculture. The statistics by now are becoming familiar:

- Over 30,000 farms go out of business as independent operations each year.
- Only 2 percent of all farms account for over a third of all food and fiber sales, while less than 10 percent of all farms occupy one-third of all farmland.
- Land prices have tripled in a dozen years.
- Over three-fifths of all farmland purchases per year are for the purposes of expanding existing, predominantly family, farms, although non-farmers now account for approximately 35 percent of annual farmland purchases.
- Some 40 to 50 percent of all farmland is operated by someone other than the owner.

With the advent of the technological, biological, and chemical revolutions, some consolidation in the agricultural sector was probably inevitable. Even now individual producers may feel great pressure to expand their farms. Most studies of on-farm cost efficiencies, however, have arrived at the same conclusion: economy of size is a largely neutral factor in farm expansion beyond very small production units. Thus, the greatest push toward consolidation today comes from non-production-related causes.[2]

Given the levels of efficiency that can be realized on moderate-sized farms, society has little to gain economically from increased consolidation. By what other factors, then, should the public judge the farm size expansion question? In our opinion, a key "third era" criteria must be *social and community costs*. The costs related to continued consolidation are numerous and large, including:

- costs of moving and retraining families who leave farms;
- some portion of welfare and social service expenditures for families who do not find alternative employment;
- larger per capita community service budgets for declining populations;
- a declining quality of life in some rural communities;
- the concentration of community decision-making which usually accompanies concentrated ownership of community assets.
- the loss of opportunity for families to experience the values associated with family farms (e.g., self-reliance, family sharing of work and decision making, control over life and work situation, kinship with nature); and
- the potential loss of an agriculture which has proven to be innovative, resilient, adaptive to technological change, and unable to engage in price manipulation.

Some of the above costs, of course, are more easily measured and less subjective than others. Yet they are all real and important. Their existence strongly suggests that action is required on many fronts to preserve and strengthen a widely dispersed and primarily operator-controlled system of agriculture. While there is much that farmers, cooperatives, churches, and community groups can and should do in this regard, it is absolutely critical that public policy also reflect these concerns.

USDA INITIATIVE

There are some hopeful signs that "third era" farm size and social values concerns are at long last influencing policy makers. Last year, the US Department of Agriculture (USDA) announced the beginning of a "national dialogue on the structure of agriculture," saying, "in agriculture we have been so long absorbed in specific problems of economics and technology that we are only now beginning to look hard at fundamental problems of farm structure—where we are, how we got there, where we ought to be trying to go."[3] Hearings will be scheduled by USDA and by congressional committees throughout this year on issues related to the structure of agriculture in preparation for the formulation of the next comprehensive Food and Agriculture Act. This legislation, and hopefully tax and other related measures, will be written and acted upon in 1981, the year current authority for many agricultural programs expires.

A broad range of new public policy decisions at both state and federal levels must be made if a widely dispersed and primarily owner-operated agricultural system is to survive and flourish. Reorienting research, creating marketing alternatives, encouraging cooperatives and bargaining associations and revamping credit programs are but a few of the necessary actions (see HUNGERS #7 and #17 for further details). Policy regarding the physical resource base and the environment—soil and water conservation, retention of prime agricultural land, preservation of genetic diversity, improved pest management, and the like—also deserve high priority. Unfortunately, space limits us to consideration of three issues: tax policy, commodity programs, and farm entry assistance.

INCOME AND ESTATE TAX POLICY

Special tax rules for farmers and certain business tax rules which apply to farm businesses reduce the income tax liability of farmers by about $1 billion per year at the present time. Farm businesses are eligible for investment tax credits, accelerated depreciation allowances, and reduced taxation of capital gains income. Special tax rules for farmers include: cash accounting, which ignores inventories; counting as cash expenditures the costs of developing capital assets, such as livestock or certain tree crops; and capital gains treatment of certain livestock.

Each of these rules has been justified because of the special needs of farmers as small family businessmen. Yet the great majority of the benefits go to well-established farmers or to wealthy non-farm investors, since the advantage is nearly always proportional to the income tax bracket of the taxpayer. Beginning farmers owe little or no income tax and gain little or no benefit from the special rules, unless they have large non-farm incomes. Thus, those who need the benefits the most, gain the least.

Moreover, much of the financial benefit from these tax rules increases the value of farm assets, especially land. The higher price the well-to-do farmer or investor is willing to pay to take advantage of the special tax rules becomes the price any would-be farmer must pay.

Special *estate tax* rules were enacted in 1976 for "closely-held, family businesses" (mostly farms) which reduce the value of the estate for tax purpose and/or postpone the due date for the tax at a very favorable interest rate. Tax economist Charles Sisson has written that these benefits "will encourage a bidding up in land prices and a general tendency towards larger farms . . . . While non-farm capital may be attracted to the estate tax shelter provided by agriculture, existing farmers themselves will probably be the primary actors in restructuring agriculture into fewer and larger farms with more absentee ownership."[4]

In our view, the applicability of all these tax rules should be limited or reduced in order to preserve and strengthen a widely dispersed and primarily operator-controlled system of agriculture. Yet the tendency in Congress seems to be to increase the special exemptions. For example, the tax advantage of capital gains income was increased in the 1978 tax bill, thus making investment in farmland by large farmers and wealthy investors even more attractive. Legislation which would eliminate capital gains tax treatment of farmland is urgently needed.

Another important proposal would restrict special tax rules for farmers (i.e., cash accounting, etc.) to small and moderate-sized farms. For example, farmers with gross sales beyond a certain volume and owners with substantial non-farm incomes could be required to adopt accrual accounting for tax purposes.

COMMODITY PROGRAMS

As far as grain and cotton farming is concerned, the term "commodity program" refers primarily to two things. The first is a system of loans. If farmers do not wish to sell their crop at harvest, they may borrow from the government at so much per bushel, using the commodity as collateral. If prices rise, they may repay the loan and sell at their discretion. If prices fall, they may surrender the commodity to the government as full payment of the loan and any accrued interest.

The second program supports farm income through payments based on "target prices." The target price is the price that the government guarantees the farmer no matter what the market is offering. If the target price for wheat is $4 per bushel, for example, and the going market rate is $3.50, the government will pay the farmer 50¢ on each bushel. In order to be eligible for either loans or payment farmers must agree not to plant a specified percentage of their acreage whenever a "set-aside" program is in effect.

The government has supported farm prices for many years, although this particular combination of programs has only been in force since 1973. Generally speaking, supports are good and necessary. While loan rates and target prices are set much lower than most producers would like, they help moderate the boom-and-bust fluctuations to which the agricultural economy is so prone and even out the supply of commodities to consumers.

RECLAMATION REFORM

Congress is currently working on legislation which would directly affect the number of new family farm opportunities in California and Arizona. In 1979, the Senate passed a bill, S 14, which would make a mockery of the intent of existing reclamation law: to provide federally subsidized irrigation water to a maximum number of family-sized farms in the 17 western states. Legislation to maintain this original and still valid intent of reclamation law must now come from the House, where action may be concluded yet this year.

While 96 percent of all farms receiving reclamation water are judged to be in compliance with current law, a small number of very large farms receive subsidized water on thousands of acres. Enactment of legislation which, unlike S 14, would uphold the intent of current law would help put an end to this abuse while providing several thousand new opportunities for family farms. In a broader context, it would represent one important step towards a re-affirmation of the principle of widespread ownership of farmland by resident operators.

These programs, however, increase consolidation in at least two significant ways. First, they reduce the risk of farming. The price stabilizing effect of commodity programs has not only encouraged larger, more specialized farms, but has also made farmland more attractive to a wider range of potential buyers.

Second, the benefits are distributed on the basis of volume of production. If Smith grows 1,000 bushels of wheat and Jones grows 20,000, and both are in the program, the benefits accruing to Jones are twenty times those to Smith, whether or not the larger benefit is related to the Jones family's needs. The larger benefits to be had from increased volume provide significant incentives to expansion.

The power of this policy tool is revealed in a recent USDA report.[5] In 1978, $2 billion was distributed in program payments. Nearly half the payments went to only 10 percent of the participants (those with the largest farms) while 50 percent of the farmers (those with smaller units) received only 10 percent of the payments. Benefits ranged from an average of $267 for the smallest program participants to more than $44,000 for the largest participants. This differential amounts to a heavy federal subsidy of large-scale agriculture. Not only does the system provide an incentive to expand, it actually supplies large, well-established farmers with the money to finance expansion.

One proposal that has merit would use family income as a basis for limiting eligibility. Each farm family could get target price support on the volume of production which would yield it a family income (excluding a return on investment) up to a specified level (e.g., median family income). Each farm family would be eligible for price support up to the same limit, but none beyond. Recognizing that most farm families also have non-farm [illegible] income would still receive benefits under this formula. But as their non-farm income exceeded a certain amount their eligibility would be proportionately reduced. At double that amount their eligibility would cease.

While this plan would not prohibit consolidation, it would ensure that public policy will not directly encourage or subsidize excessive expansion. Parallel policies should be enacted for disaster, insurance, and other commodity-related programs.

FARM ENTRY ASSISTANCE

Over 70 percent of all farmland is owned by people 50 years of age or older. Most of this land will change hands before the end of the century. The question of who will become the owners or renters of this land focuses attention on a central issue: the renewability of an agricultural system based on the principle of widespread ownership of land.

Farming, unlike most industries, has traditionally necessitated large, direct investments from would-be managers. Within the last decade, required investments have reached extreme levels. Land and capital costs—ranging upwards from $200,000 to several times that level for moderate-sized farms—present extraordinarily difficult barriers to beginning farmers.

The trends are clear. Land prices, and thus cost of entry, continue to escalate as established farmers with substantial equity and wealthy non-farm investors outbid all other potential buyers in an intense competition for land. It has become far more difficult for new farmers beginning as tenants to purchase the farms they are renting because land prices are increasing faster than they can accumulate capital without outside assistance. Furthermore, if consolidation continues, there will be a sharp decline in the number of new farmers needed, no matter what the costs of entry.

Today there is a 50 percent replacement rate in farming (1 entry for every 2 exits). That rate is expected to decline to 40 percent or lower by the year 2000, representing a 60 percent decline in the number of new farmers. In the absence of new policies and programs, nearly all of these new farmers will have either inherited the farm or have access to family wealth—establishing what could accurately be called a "landed aristocracy."

Policies which increased the availability of land, dampened competition for land, lowered land prices, or slowed down inflation would improve the situation for beginning farmers. The tax measures mentioned above would be excellent starting places. Likewise, raising target prices but limiting eligibility should have a positive effect.

A proposal that deserves further study would provide tax relief to landowners who chose to sell farmland to beginning farmers with limited resources at lower interest rates and longer pay-back periods than would be available otherwise. A similar program has met with initial success at the state level in North Dakota. Another worthwhile proposal would offer federal loan guarantees to increase capital availability to beginning farmers and could be managed in conjunction with various beginning farmer programs at the state level. Such programs are currently in place in Minnesota and Texas and have been proposed in several other states.

Loan guarantees would be a helpful and sorely needed addition to the existing Farmers Home Administration (FmHA) limited-resource loan program. The latter, enacted in 1978, set aside 25 percent of all FmHA ownership and operating loans for farmers, including beginning farmers, with limited resources. Together, both programs could help ease the high barriers to farm entry, while encouraging more states to take part in the renewal of a widely dispersed family farm system of agriculture.

CONCLUSION

Enactment of policies and programs such as these during the next year and a half would represent a significant movement towards a more just US farm policy. Of course, other innovative legislation and constant review will be necessary. The national dialogue on the structure of agriculture should become an ongoing process, reflected in all future policy debates and decisions.

Footnotes and bibliography are available upon request.

Major contributors to this issue were David Byers, United States Catholic Conference/National Catholic Rural Life Conference; Ferd Hoefner, Taskforce Staff; and Don Reeves, Friends Committee on National Legislation.

HUNGER is prepared by the **Interreligious Taskforce on US Food Policy**, a cooperative effort of national Protestant, Roman Catholic, Jewish, and ecumenical agencies; edited by George Chauncey, chair of the Taskforce; and published by **IMPACT**. Additional copies are available from the Taskforce, 110 Maryland Avenue, NE, Washington, DC 20002. 1-9 copies, 15¢ each; 10-99, 10¢ each; 100 or more, 7¢ each. Shipping charges will be added to bulk orders.

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Persons interested in receiving current information and ecumenically developed recommendations on federal legislation identified by the Taskforce as most critically affecting the hungry at home and abroad are invited to call the Taskforce toll-free at (800) 424-7292 (Washington DC area residents call 543-2800).

FOR THE RECORD

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August 28, 1980

Agriculture Committee
U.S. House of Representatives
Washington, D. C. 20515

Attention: Chris Abrams

Re: H.R. 6295

Dear Mr. Abram:

The National Association of Landowners (NAL) is an organization comprised of over 2,000 disadvantaged and minority landowners living primarily in the Southeast. Many NAL members are family farmers and we support H.R. 6295, the Family Farm Development Act.

The NAL belives that this bill will effectively assist and strengthen the family farm system throughout the U.S. Since World War II the "get big or get out" attitude toward farming has decimated the American rural community and forced thousands of farmers and would-be farmers to seek alternate ways of earning livelihoods. The NAL submits that this forced migration, especially by the rural poor and disadvantaged, is responsible for the burgeoning pressure on urban centers to provide basic services to their citizens.

H.R. 6295 is a positive step in an overall effort to redirect America's agriculture policy. The family farm should be supported in these times of high food prices, exhorbitant fuel costs and economic panic. The NAL contends that a strong family farm system can enable thousands of Americans to beat the high living costs by providing their own food and shelter.

It is a well-documented fact[1] that small farmers are not receiving their share of technological research and much-needed financial credit. Several provisions of H.R. 6295 would help remedy these problems. The Family Farm Development Service will generate significant landownership information as well as devise an overall long-range plan to enhance the family farm system.

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[1] See a recent edition of "60 Minutes" wherein various FmHA abuses were cited. See also California Rural Legal Services v. University of California-Davis involving research activities which displaced farmworkers and small farmers by developing newer techniques of mechanically harvest tomatoes. See Hudson et al., v. FmHA-Mississippi, a class action suit alleging discrimination by Mississippi FmHA against Black and small farmers.

The NAL is willing to assist in the passage of this bill and it is our hope that the disadvantaged family farmer will not be overlooked or forgotten.

Please feel free to contact us about any of the above and we look forward to monitoring the progress of this important bill.

Very truly yours,

The National Association of Landowners

BY:

Thomas Burrell
Thomas P. Burrell
Chairman

Edward J. Pennick
Managing Agent

TPB:EJP:vlg

STATEMENT
THE NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY

P.O. Box 3838
Butte, Montana

The National Center for Appropriate Technology (NCAT), is a non-profit corporation with its headquarters in Butte, Montana. It was established three years ago through a grant from the Community Services Administration to develop and apply appropriate community-based technology to meet the specific needs of low-income people and to promote locally-based programs that develop individual-based and community-based self-reliance.

Our Agriculture program includes the study and promotion of attached solar greenhouses to be used as additional heat sources for the home, as well as a tool to allow access to nutritious fresh vegetables year round. We are also doing work with cold frames to extend the growing season, bed-depth studies on various home-grown varieties, studies of biological pest management, organic methods of growing and alternative farmer to consumer marketing systems. Our program is involved with promoting the broad area of alternative agriculture.

Definitions of both appropriate technology and alternative agriculture defies concensual agreement because of the very nature of their need to adapt to specific situations and environments. Broadly speaking an appropriate technology is one which is easy to understand, and maintain by the user, utilizes renewable resources, tends to be less capital intensive than a conventional approach, depends largely on local inputs to achieve some degree of self-sufficiency and has low impact on the environment. Similarly, the alternative agriculture approach is based on sensitivity to nature and the environment (particularly in terms of the available resources of land and water), the use of renewable resources (with less dependence on fossil fuel inputs), and a measure of personal security achieved through ones ability to provide basic needs because of a broadly developed bank of skills. Again, there are variations on these themes due to such things as size and location of the farm, availability of labor and markets and a variety of personal ideological commitments.

A.T. and alternative agriculture do not make claims to have solutions to all problems, nor do they advocate a return to by-gone eras. Rather, they ask for a re-examination of our current system and an evaluation and testing of the available alternatives. Small-scale approaches are advocated which take into account two basic themes: (1) humanistic considerations such as quality of life, freedom to choose one's lifestyle, ability to provide for one's self and the right to accurate information and (2) environmental considerations particularly as they relate to our dwindling energy and natural resources.

The overlap of concerns in both alternative agriculture and appropriate technology for a small-scale, decentralized, energy efficient, systems approach make it an obvious ally to the small-scale producer. As allies, appropriate technologists and small-scale producers should demand their share of the USDA research dollar for programs that will directly effect them. Private monies will continue to flow into research areas due to market considerations, if nothing else. But the USDA can take responsibility for providing government funds to balance the effect of private research dollars.

The Family Farm Act will make great strides towards this goal. Our comments are limited to those portions of the Act which are most closely related to the mission of NCAT--Research, Education, Training and Demonstration, particularly in regard to small-scale alcohol production and marketing programs:

Research Programs

The need for a research program which focuses on small farms is great. Virtually no monies are being spent on researching alternative farming methods. Sorely needed are research efforts in the areas of small-scale farming equipment development, (particularly for seeding, transplanting and weeding), organic/ecological/biological production techniques, on-site or local small-scale processing systems and development and testing on on-farm appropriate technologies such as solar grain dyers, and alcohol fueled machinery.

NCAT is particularly interested in this portion of the Act. Much of the alternative research over the last few years has taken place at organizations such as NCAT, at various local organizations, and at projects which have been funded by the Community Services Administration (CSA). While much has been accomplished, it has necessarily been on a small, limited scale as dictated by the amount of funding available.

Education, Training and Demonstration Programs

This is another area which has not been significantly addressed in the past. Most of the demonstrations and small farm experimentation has, in fact, been funded by CSA, not USDA. Low-income farmers long ago convinced CSA that they had a tremendous need to explore alternative farming techniques.

Only USDA could promote actual Farm Demonstration and Training Centers on the scale necessary to effect the kinds of changes on small to moderate-sized farms that are going to be necessary in the coming years. The survival of many of these farms will depend on their ability to adopt appropriate farm techniques.

These centers could be established to provide training in small-scale and organic/biological production techniques, and information on the availability of new technologies; while the work by already existing organizations involved in this kind of training should be supported financially and encouraged by the Department of Agriculture.

Small Scale Alcohol Production

Small farms are facing the hardest times ever, particularly due to the high-costs of energy and shortages of supply. Ethanol production on the farm, by a coop, CDC or non-profit organization will assure a liquid fuel supply in our agricultural areas, and in many cases at lower costs than conventional petroleum-based fuels. At present there are two major reasons for the delay in speedy ethanol production:

a) need for further R&D in low-cost, low-energy ethanol processes and technologies
b) need for easier access to capital

In Title VII, farmers will have the opportunity for low-cost government loans for ethanol plants under 500,000 gallons per year. Such plants will be able to produce ethanol for use in the neat form on the farm while alcohol surpluses then can be totally dewartered for blending with gasoline to produce gasohol. Once farmers have the advantage of producing liquid fuel on their farms, they will be able to withstand the higher energy costs of petroleum fuels thus assuring their survival. Ethanol production in this manner could supplant 710,000 barrels per day by 1990.

As a result of the President's Rural Initiatives, NCAT is building five prototype ethanol units with a 50 gallon per day production capacity. These units will be used as training models for the building of 25 more units around the country. Hopefully, by the time these units and the training programs are accomplished, farmers will then have the Federal loan programs available to buy, build, and maintain these units on a larger and more significant scale.

New Marketing Programs

NCAT strongly supports the proposed new programs that promote the creation of new direct marketing systems as outlined in our policy paper Energy and The Poor. Marketing is, of itself, a serious problem for the small-scale producer. To this end a great deal of effort needs to be directed. Promotion of links between producers and consumers on a regional level should be encouraged. This could be accomplished through Federally-funded programs which would promote the establishment of producer and consumer owned marketing co-operatives.

NCAT has been exploring the potential for a computerized marketing/information system to address the need for improved marketing networks, and held a conference on Direct Marketing and Information Systems in November of 1979. There is no doubt that the need for improved marketing networks for small farmers is very great.

Marketing assistance as proposed by the Bill can make a big difference to farmers. Supporting local agriculture in a region benefits all the people in the region.

Within our Agriculture/Biofuels component at NCAT we are taking a broad look at the food system; from production to consumption; from urban to rural food systems; from one area of the country to another. We are working within some of these "already-noted-as-needed" areas of research. Our range of investigations include research in: organically managed solar greenhouses and cold-frames, on-site farm processing, food storage techniques, small-scale machinery, alcohol fuels production, consumer/producer owned direct marketing co-operatives, legal and regulatory barriers to alternative agriculture, homescale food processing equipment, and networking for the development of national "organic" certification standards.

Other organizations on both national and local levels are also dealing with these areas of research, but surely it is the responsibility of our U.S. Department of Agriculture to address these issues and needs.

National Family Farm Coalition

Coordinators
Catherine Lerza
Robin Rosenbluth

FOR THE RECORD

TESTIMONY BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON FAMILY FARMS, RURAL DEVELOPMENT AND SPECIAL STUDIES ABOUT THE FAMILY FARM DEVELOPMENT ACT

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The National Family Farm Coalition (NFFC) welcomes this opportunity to comment on the Family Farm Development Act. The NFFC has a unique relationship to the FFDA because this organization was created in 1978 for the purpose of developing legislative and citizen support for this bill. For this reason, we will not comment on specific proposals contained in the bill; the very existance of the NFFC is a statement wholehearted endorsement and support for all the provisions of the FFDA.

Because the NFFC was created specifically as a result of the writing of the FFDA, we will look briefly at the history of the bill and the NFFC. In early 1977, many people working on federal farm/food policy issues came together to write a comprehensive piece of legislation aimed at supporting and encouraging small and moderate sized family farmers. A "working group" of individuals representing many diverse national organizations, as well as staff members from Congressional offices, began to meet weekly to write this bill. The FFDA was the result of seven months' effort and was introduced into the House of Representatives in February, 1978 by Reps. Rick Nolan (D-Mn) and George Brown (D-Ca). But, then none of the groups involved in its writing were able to take it on as a top legislative organizing priority. In fact, many of the groups represented felt that the creation of a coalition set up specifically to work on the bill was the most effective way to organize support for it. Thus, the National Family Farm Coalition (NFFC) was born.

The NFFC is today a growing national membership organization reaching over 5000 people and organizations. More than 80 of our members serve as local and regional organizers, thereby bringing thousands of citizens in the communities in which they work into the legislative process, as well as helping them learn more about agriculture and food.

All the individuals and organizations involved in the writing of the FFDA felt strongly that the reasons for the decline of family farm based agriculture had to do not with efficiency or economic imperatives, but with conscious policy decisions made in the public and private sector. The FFDA

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changes many federal policies that now hurt small and moderate sized family farmers. It is a way to remove some of the policy biases that have helped to create the current structure of American agriculture.

In 1977, when the FFDA was first drafted, it was not yet accepted wisdom to link policy with structure. Only after the publication in 1978 of the General Accounting Office's report The Changing Character and Structure of American Agriculture and a similar report from the Congressional Budget Office did the idea that conscious decisions -- not "inevitable progress" -- have shaped agriculture gain general acceptance among policy makers. Later, in early 1979, Secretary of Agriculture Bob Bergland's call for thorough explorations by USDA, in conjunction with citizens, of the impact of federal policy on structure added more credibility and stature to this approach.

Traditional wisdom in agriculture has said that "bigger is better" and that smaller operators who can't make it have only their inefficiency and poor management to blame. The new exploration of policy and structure has begun to challenge such "wisdom". For instance, at the 1977 Senate hearings on agricultural research, Dr. Allen Thompson, an economist at the University of New Hampshire and author, with now-Secretary of Labor Ray Marshall, of a study called Status and Prospects of Small Farmers in the South, told Judiciary Committee members:

> If you look at past policies -- including policies of both Democratic and Republican administrations -- I think those policies have been based on the assumption that the small family farm is not economically viable, that the best opportunities for those farm families lie in the non farm sector; and furthermore that our food and fiber system needs for the world and for the U.S. can best be met by large scale capital intensive agriculture.
>
> I do not share those beliefs. I believe they are wrong. I believe they are based in part on false premises and I believe they are based on poor economic reasoning because they fail to include as costs of agriculture policy the social costs of rural poverty, urban congestion, environmental damage and the growing concentration of market power in food and fiber production, marketing and distribution among fewer, larger organizations.

The GAO report reached similar conclusions:

> The U.S. food system dependence on increasingly fewer farmers, who in turn are dependent on a series of factors beyond their control, raises a basic question of farm sector resiliency to withstand supply demand fluctuations without increasing government assistance.
>
> A series of cost price squeezes, specialized technology and the targeting of Government farm programs has created a farm sector that has fewer and more powerful farms; less family labor; less diverse production patterns; and increasing dependence on purchased inputs, foreign oil and markets outside the U.S.....
>
> The agriculture sector is heading toward fewer but large farms which are capturing a larger portion of total farm sales. Today's farmer is moving away from the self-sufficient independent, land owning model of yesteryear into a commercial entrepreneur, specializing in single crops. He is enmeshed in the trends of national and international economics, relying increasingly upon a variety of other specialities to provide capital, new technology, supplies, land, petroleum products and marketing assistance.

The NFFC was created out of the belief that it is not too late to turn these trends around, to figure out ways of combining the best of innovative, highly productive farm technology with the traditional diversity and resiliency of small and moderate sized family farms. The GAO is right: Government assistance is needed -- and needed now. But that does not mean we have to create dozens of new programs or spend huge sums of new money. It does mean, however, that we turn around many existing programs, change old laws and become more careful about who federal agriculture programs should help.

The FAMILY FARM DEVELOPMENT ACT (FFDA) does these things. In its many titles are contained new programs, revisions of old programs and a careful effort to define who taxpayer funded programs will help. Its intent is to give the small and moderate sized family farmers of the U.S. the help they need to stay alive, to give new farmers a chance to make it; and to prevent wealthy corporations and non-farm investors from getting rich off American agricultural productive capacity at the expense of family farmers, farmworkers and consumers.

But making such sweeping changes in agriculture policy requires a constituency broader and larger than only family farmers. This is the reason for a National Family Farm Coalition -- a coalition of farmers, consumers, low income people, world hunger activists, academics, rural development specialists, environmentalists, church activists, inner city residents, Westerners, Easterners, Southerners, local organizations, national organizations. The NFFC was founded on the belief that agriculture policy is everybody's business and that policy making should not take place in isolation. Food is too important to be treated as the baliwick of special interests and decision making around it left to only a relative few.

But before the active constituency for agriculture can be broadened, the potential members of that constituency must be educated and informed about agriculture. Decisions made about agriculture by non-farmers must not unfairly burden or hurt farmers. They must understand long term ramifications of policy and programs; consumers must not mistake schemes that create short term reduction in food prices with the steps necessary to create for the long term, a food system that will provide them with a stable supply of high quality food. And maintain a family farm based system of agriculture. The NFFC devotes a great deal of its time to helping non-farmers and non-farm organizations, in Washington and all over the U.S., understand the complex and often confusing elements of agriculture policy. Equally as important to the NFFC is helping national policy makers understand how federal policy affects local communities and how that policy is implemented at the local level.

One of the main jobs the NFFC has taken on is helping the public learn more about this relationship between policy decisions and structure. Too often, people believe, for instance, that smaller farms are inherently inefficient and that small farm operations are, by definition, poorly managed or in some way inferior to larger operations. People have been lead to believe that we have to "trade off", for example, food quality if we want cheap food prices or small and moderate sized family farms if we want to maintain high volume production levels. The Family Farm Development Act is based on the belief that such trade offs may not be necessary, given a national committment to the development of a food and agriculture system based on successful family farms, long term economic and ecological sustainability, a desire for high quality, health-enhancing foods and stable, predictable consumer prices that reflect the real costs of food production rather than the power of economic concentration and high powered marketing techniques.

This testimony does not attempt to describe problems in the farm sector. (See attached copy of a publication entitled Cheap Food? For Whom? prepared by the NFFC's research/companion organization, the National Family Farm Education Project, for a description of these problems.)

Rather, we wanted to present to this Subcommittee a statement which assumes that all of us already recognize that the farm sector is in trouble. As the time for deliberation of the 1981 Farm Bill approaches, the NFFC will be working with its members and many other individuals and organizations to make sure that more and more people are aware of what is happening to America's family farmer and how the demise of these farmers will affect them. We believe that 1981 will be a watershed year for farm policy; we pledge to do our best to insure that changes made in agriculture and food policy are the kind contained in the FFDA -- if not actual provisions of the FFDA itself. We look forward to continued work with this subcommittee in this effort.

Thank you.

(The attachment referred to is held in the subcommittee file.)

Washington Small Farm Resources Network

THE IMPACT OF THE FAMILY FARM DEVELOPMENT ACT
ON SMALL & FAMILY FARMS IN WASHINGTON STATE

PREPARED FOR THE U.S. HOUSE SUBCOMMITTEE ON
FAMILY FARMS, RURAL DEVELOPMENT, AND SPECIAL STUDIES

BY

R. RANDAL SON, PROJECT DIRECTOR
WASHINGTON SMALL FARM RESOURCES NETWORK

INTRODUCTION

The Washington Small Farm Resources Network has been operating since May of 1979 as an information source and advocate for small and family farms in Washington State. Contacts with farmers across the state have included discussion of the F.F.D.A. and its effect and value. Opinions in this paper reflect a synthesis of the opinions of those farmers, and the judgment of the Project Director. It is recognized that certain proposed activities under some of the Titles have been acted on during this Session of Congress, and that the process of developing the '81 Farm Bill will involve negotiation and compromise. These comments will focus on the impact of the Titles as proposed, with some comment on the general need for activities in the areas defined by those Titles.

TITLE I - FAMILY FARM DEVELOPMENT SERVICE

The functions described for the proposed F.F.D.S. are needed. Forming a new department would give solidity to the committment of U.S.D.A. to small and family farms. The administrative costs of such a structure may be prohibitive, and some farmers perceive U.S.D.A. as a multi-headed beast already. Therefore, a new department as a way to coordinate and evaluate activities may be counter-productive. Still, the need for that coordination and evaluation cannot be under-stated. The Structures Conferences have begun a vital dialogue on long-term options for agriculture. Consistent follow-through and policy decisions must be adequately managed. Designating that function clearly within U.S.D.A. is crucial.

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TITLE II and III - RESEARCH, EDUCATION, DEMONSTRATION AND TRAINING

It is noted that some Extension Service programs have already begun to act in agent placement and training, and that various private and public groups have done research on farm size trends, energy innovations, and small farm production. In the future, U.S.D.A. could play an important role in defining the direction and scope of research, education and training with a commitment to an ongoing program. In particular, education, demonstrations and training will go a long way toward dealing with the primary need if we are to have family farms---farmers with the skill and desire to continue farming. The "Apprenticeship Program" is one which would receive tremendous support in this state. Our needs assessment surveys for this year indicated that farmers judged apprentice labor to be the most helpful element of a small farm project.

Re-emphasizing conservationist methods, and stressing integrated pest management and "sustainability" in education and demonstrations would contribute greatly to the long-run survival of farms in Washington State.

TITLE IV - FARMERS HOME LOAN PROGRAMS

The Limited Resource Loan Program needs not to be limited to 25%. Before that order last year, up to 32% of loans in Washington were being made in that category.

The concept of tying special-term loans to specific production methods, namely IPM and "Sustainable techniques" faces the problem of definition more than anything else. Once criteria are clearly determined, however, we could hardly make a better investment in the future of agriculture than to support farms where everything possible is done to conserve soil and water quality, and protect human and animal health.

Special-term loans for proven appropriate technologies is a beneficial concept as well. They would be among the most secure loans made by FmHA, particularly if they are for energy conserving or producing systems. Our surveys and contact with farmers have indicated tangible interest in and intention to implement appropriate technologies. Most credit sources are currently hesitant to loan for such systems, and a signal from U.S.D.A. that such systems are viable would be a significant stimulator for on-farm conservation and production of energy. There would be significant use of such a loan program.

TITLE V - TAX CODE AMENDMENTS

It is our opinion that the accrual versus cash accounting issue should be dropped altogether. There are no additional benefits to large or corporate farms over small farms in that method. Also, cash accounting does not allow total write-off of depreciable assets in the first year. It would be better to focus in tax amendments on the issue of preventing those with incomes in excess of $17,500 from engaging in the gross behavior of intentional tax loss farming. This is the source of severe economic consequences with respect to land prices for small farmers. Tax loss farming stimulates over-investment in farm land, and the consequent upward pressure on land itself, because of the shelter provided for non-farm income. It is the write-off aspects of tax-loss farming that do this, not the cash accounting system now unique to agriculture.

TITLE VI - GRANTS TO COMMUNITIES FOR FARM OWNERSHIP

There would be significant political resistance in this state to public purchase of farmland for resale in small plots.

TITLE VII - SMALL SCALE ALCOHOL PRODUCTION

This year's Congress has acted on small-scale alcohol production with appropriations for U.S.D.A. and D.O.E. It is still of concern that adequate attention be paid to small-scale distillation operations; those in the 25,000-200,000 gallons/year range.

TITLE VIII - NEW MARKETING PROGRAMS

This is probably the most important Title of the Act. There was significant disappointment among farmers when funds from the Direct Marketing Act were ended. Progress in direct marketing was rapid; in three years the number of farmers markets rose from a handful to more than 30, and independent direct marketing associations sprang up in many sections of the state. Small and family farmers are ready and eager to continue organizing themselves for better marketing options. Developing market options was second only to apprentice labor according to our surveys. Cooperatives as a technique for production and marketing would be well received in the state, and improved technical assistance is the appropriate role for U.S.D.A.

Allowing school districts to set aside funds for local purchase would also create a valuable market for local farm goods. There are some problems with this, however. Dry goods are not so much a problem, but it is likely even with such goods that the price received by the farmer would be very low. In addition, perishables are most available when schools are least ready to accept them. (This is an ironic result of schools being on vacation because children were needed for harvest). Our discussions with school food service managers indicate also that time available to order, receive, and prepare diverse goods from diverse sources is limited. Some sort of clearinghouse, or a cooperative of producers which stresses marketing to institutions, would answer some of this problem.

TITLES IX and XI - FOOD PRICE REVIEW BOARD/UNFAIR TRADE PRACTICES

The political climate regarding Federal Boards which will investigate pricing in the "free marketplace" is not good in this state. Much more education regarding the reality of the marketplace (which is not particularly "free" in agriculture) must be done. Public agency programs in Washington State are currently doing research and public education on this situation. At the moment, however, the purpose and value of a review board would largely be suspect, no matter the actual value of the Board.

TITLE X - LEGAL SERVICES TO FARMERS AND RURAL PEOPLE

The legal needs of farmers and rural persons are real enough. Care must be taken to reassure the various agencies of U.S.D.A., particularly FmHA, that increased funds for the Legal Services Corporation won't result in harassment lawsuits. Certainly, if valid litigation is called for, the legal services to carry through should be available. It is our impression, however, that this Title causes some apprehension in State and County FmHA offices. Perhaps a compromise position here would be the allocation of less funds to Legal Services, say $20 million, and $10 million to FmHA for the publishing of records of their loan activity by county. This could be done in dollar terms, by category; housing, agriculture ownership and operation, B&I, etc.

It is not clear from the current F.F.D.A. wording if in fact FmHA would be the real focus of activity under this title or not. The Title should be very clear on the purpose and scope of Legal Services activity.

CONCLUSION

In general, there would be relief and appreciation among farmers in Washington for U.S.D.A. to clearly indicate with policy, structure, and funds, its support for small and family farms. The most resistance would be encountered if excessive new agencies, budgets, and administrative overhead, paperwork, etc. were created. Care should be taken to implement reforms in a streamlined manner, while still keeping the results visible and tangible. The most important components of the Act are the Marketing, Research, Education and Training, and FmHA Loan Program Titles. The least important are the Grants to Communities and Food Price Review Board, for the reasons mentioned earlier.

Statement of
The Center for Rural Affairs
before
The House Committee on Agriculture
Subcommittee on Family Farms, Rural Development, and Special Studies
August 18, 1980

The Center for Rural Affairs is a non-profit, unaffiliated organization based in Walthill, NE. We applaud the sponsors of the Family Farm Development Act for taking this step on behalf of small and moderate scale farmers. We appreciate the opportunity to present our views. We offer our support and hope to help strengthen the Act. It proposes reforms in many of the key public policy areas in which we have focused our efforts in Nebraska.

Small and moderate scale agriculture can survive in a positive public policy atmosphere. But today, public policy is a major obstacle to a dispersed agriculture. In our Small Farm Advocacy Project we have identified elements of public policy biased against small farmers and have undertaken reform efforts. We have challenged the administration of the Farmers Home Administration Limited Resources Loan program, particularly as relates to financing of owner-built appropriate technology and of organic farmers. Our research in the hog industry has revealed major public subsidies for rapid concentration through tax, credit and research policies, which we are now challenging. We have found that one-fourth of Nebraska's feeder pig crop is produced in corporate hog factories. Our Small Farm Energy Project is completing a three year demonstration of the effectiveness of low-cost, owner-built alternative energy technologies in lowering energy costs and improving the competitive position of small and moderate sized farmers. The Project has shown that when small farmers and researchers work together technology need not require increased farm size to yield efficiency. The Project is now entering an outreach and training phase. It is continuing to show that public policy could be made to work for small and moderate sized farmers. (See Attachment A).

The Family Farm Development Act offers positive public policies to small and moderate scale farmers. The sections on research, extension, marketing, tax law, legal services and the Farmers Home Administration address many of the problems facing such farmers.

RESEARCH AND EXTENSION

This section establishes a set of excellent research and extension priorities. (There may be a need for clarification purposes to specificly include technological research appropriate to small and moderate scale farms, independent of positive impacts on soil conservation, energy efficiency, or environmental quality.) However, we are concerned that these sections focus on developing a new set of programs to serve small and moderate sized farmers, rather than reforming existing policies. Programs which attempt to solve the small farmers' problem without addressing the broader farm structure issue of public support for concentration are doomed to failure. The proposed $50 million for small and moderate sized farm research and extension does not even approach the dollars committed to research and extension primarily benefiting large scale agriculture. Creating a distinct set of lesser funded programs for small farmers could in the long run have the unintended affect of supporting the trend to an agriculture composed of very large farms and very small, part-time farms, while doing little to offset the trend toward concentration in food production and the elimination of economic opportunity in agriculture. While it is not popular to say, an effective public policy commitment to small and moderate scale agriculture must include taking away some of the benefits that now accrue to large farms and corporate farms. The structure of agriculture is determined by competitive position. Public policies which help small farmers a little and big farmers a lot, shift competitive position and ultimately the control of agriculture out of the hands of small and moderate sized farmers.

Enormous amounts of money are now spent developing and disseminating large scale technology for a structure of agriculture which is not in the best interests of this country. The research areas in the Act should also be given priority for new commitments of existing funds.

All research programs, not just those created by this Act, should be judged by the Family Farm Development Service according to the standards put forth in the Act. A research board comprised of members of the public should be involved in setting research priorities for all USDA research and Hatch Act monies distributed to land grant colleges. The research board should not only approve project selection, it should develop priorities and set farm structure goals for which to develop technology. We have found that research projects are selected at the University of Nebraska on the basis of available funds and facilities and the interests of researchers. This is inappropriate. Technological development is a form of social and economic planning and should be treated as such with democratic participation. The proposed 13 member board composed of a broad cross section of people interested in food and agriculture is an appropriate tool. However, we suggest increasing the number of farmers on the board. The Act currently proposes including only two.

In our Small Farm Energy Project, we found that innovations were most successful when the small farmer worked with the expert in designing and building technology. This approach contributes to human development by nurturing the farmers' skills, confidence, decision making ability, and control of destiny. The demonstration farms contemplated in the Extension section could be tied by the Act to the research process. Through demonstration farms, farmers and researchers could work together to ensure that technologies are developed to suit small and moderate sized farms, ensuring their practicality, effectiveness, and use. Other elements of the extension proposal, such as paraprofessionals, could also be used to link farmers to researchers. The paraprofessional program has the potential to be a most effective tool for outreach. In the Small Farm Energy Project, we found that information on alternative technology was most effectively relayed through established community members and institutions. Paraprofessionals making presentations before local groups and talking with neighbors will likely reach many more people than has the well-funded and long established Extension Service. Nonetheless, the established Extension Service is a well endowed public institution which should be doing a better job for small farmers. The appropriate technology and organic farming state specialists, to be created by this Act, should work closely in relaying their knowledge to county extension agents.

Finally, as regards research and extension, we question the practicality of establishing USDA competitive grant funds for farm structure policy research. It goes without saying that there is no such thing as objective policy research. Researchers proceed from a point of view and set out to prove it. Federally funded policy research will likely reflect the views of the administration distributing it and in the long run, will be no more likely to benefit small and moderate sized farmers, than present efforts.

AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

This section is a first step toward reform of the tax code, the greatest obstacle to a small and moderate scale agriculture. This section aims at correcting the abuses of cash accounting, which have received most attention for their use by high income non farm investors in cattle feeding. The provision limiting the volume of farm losses written off against non farm income for tax payers using the cash method of accounting should effectively impede tax shelter cattle feeding.

An alternative approach would be to prohibit the use of cash accounting by individuals not involved in the day to day labor and management of the farm for which they are filing the return. Cash accounting was created to simplify tax accounting far farmers, who theoretically lack the pecuinary sophistication to use accural accounting. Investors are not unsophisticated in financial matters. Such a prohibition should probably not apply to retired farmers and farm widows maintaining an interest in a farm operation, in which they used cash accounting immediately preceding retirement

Either approach which can best gain political approval would appear to be effective. Farmer feeders have lost all but a third of the nation's cattle feeding, much of it to custom lots feeding for tax shelter investors. As irrigation water and thereby feed supplies diminish in the Southwest, where the big lots are concentrated, the industry could again undergo substantial structural change. If tax abuses are eliminated, efficient family farmers could benefit particularly in the Midwest.

Cash accounting has also accelerated the trend toward concentration in sectors with substantial sales of raised draft, breeding, dairy, and sport animals, particularly with the recent reduction in the rate of taxation on capital gains. Profits on sales of these classes of animals are treated as capital gains. While the accrual basis taxpayer takes the capital gain exemption only on the portion of the animals' sale value attributable to appreciation during the year of sale, the cash basis taxpayer claims the deduction on the animals' entire sale value. This has been particularly abused in the hog industry, which is undergoing rapid concentration. Although the big units have no lower cost of production, they gain an advantage through numerous provisions in the tax code. Cash accounting combined with the capital gains exemption has given rise to the use of the inefficient "one litter gilt" system among the largest producers. This is particularly attractive to high income investors. Instead of keeping breeding stock to produce several litters and thereby gain the larger litter sizes and better mothering ability of older stock, corporate hog factories sell breeding stock after one litter of pigs, thereby converting a greater number of the hogs produced into breeding stock. Feeder pig operations can convert fourty percent of their income into capital gains by this method. Sixty percent of capital gains income is exempt from taxation. Gross income for tax purposes is thus cut by nearly one-fourth. This effectively eliminates net income for tax purposes and is almost certain to create artificial losses to write off against other income.

By disallowing cash accounting for non farm investors and farms with greater than $100,000 annual income, the Act could eliminate the most serious abuses of this provision. However, the section applying the $100,000 limitation to corporations has a loophole. By assigning corporate shares to minor children and other family members a farm corporation supporting one household could exceed the $100,000 limit by many times while continuing to use cash accounting. The section should be revised to limit the use of cash accounting to legal entities whose sales do not exceed $100,000 per household actively engaged in the day to day farm labor and management. Large farmers seldom lack the financial sophistication to use accrual accounting.

These proposals are a first step, but beyond them there is an enormous need for further reform. The tax subsidy approach this nation has taken to encouraging capital investment has created major obstacles for small and moderate scale agriculture. Provisions such as accelerated depreciation, investment credit, and the capital gains exemption shift competitive position in favor of capital intensive farms and persons in high tax brackets, to the disadvantage of small and moderate sized farmers. Investors can recover up to 80 percent of hog factory investments through accelerated depreciation and the investment credit. Small farmers gain a little from these provisions, but much less than do larger farmers and investors. Armed with tax subsidies, big operators bid less subsidized small farmers out of the land and feeder cattle markets, and force hog prices below what they can afford. These tax provisions eliminate potential income in farming, converting it to land price appreciation and tax benefits, for those in a position to use them. This is inherently destructive of a dispersed agriculture.

It is also destructive of the economic prosperity which tax subsidies are purported to create. Large scale hog factories have a higher cost of production and are particularly energy inefficient compared to smaller producers using existing facilities. They accentuate our base economic problems of unemployment, energy dependency and inflation. Yet we subsidize them despite their 17 percent annual rate of growth (See Large and Medium Volume Hog Producers, by V. James Rhodes, Calvin Stemme and Glen Grimes, University of Missouri at Columbia). Such economic and farm structure policy is questionable at best. (See Attachment B).

We urge the sponsors of the Family Farm Development Act to move beyond the cash accounting provisions to propose a broader range of tax reform. Possibilities include eliminating these provisions, placing low dollar limits on the benefits any one tax payer can claim, and limiting the types of investments to which they apply.

FAMILY FARM OWNERSHIP PROGRAM

We have on minor comment on this title. The section (605 (a)) prohibition of erection of structures inconsistent with a farming operation should be elaborated. The Act should allow facilities for on-farm processing of farmers' own production. Processing facilities can be an important part of farm operations, particularly for organic farmers who must often process their own commodities to market through organic channels.

INDUSTRIAL HYDROCARBONS AND ALCOHOLS

We support this section. It could stimulate the initial development from which we can make judgements as to future policy directions. Through our Small Farm Energy Project we have been researching farm scale alcohol production. We have found more questions than answers. The Act should also provide for analysis of questions including:

What is the net energy impact of gasohol production when considering both the energy used in producing crops and converting them to alcohol?

What is the impact of increased alcohol production on cropping patterns, rotation, and crop diversity?

What would be the soil conservation impact of substantial alcohol fuels production?

How would substantial alcohol production impact the energy intensiveness of U.S. agriculture?

What size plants are most efficient?

How will alcohol fuels production impact the competitive position of various sizes and types of farms?

Loans should be made available to owner-built systems. A certification system for owner-built systems should be developed, as discussed in the "Loans For Appropriate Technology" section of this testimony. Preference should be granted to systems which make effective use of all by products, such as farms where waste heat is utilized for space heating and the distiller's grain is used on the farm without shipping or drying. The Section 704 (d) requirement that applicants' systems produce more energy than is used in the conversion process should be clarified. Energy contained in distillers grain should not be considered as an energy output. Making alcohol fuels is a conversion process. Energy expended should not exceed energy converted to another form by the process.

FARM MARKETING PROGRAMS

This section could substantially improve the competitive position of small and moderate sized organic farmers. We recently conducted a survey of organic farmers on institutional barriers to conversion to organic farming (See Attachment C). We found the lack of instituted markets for organic foods to be a major problem. In many areas there are no warehouses or processors to facilitate sales of organic production. Approximately half of the responding organic farmers used no special markets and received no premiums for their product, in spite of the fact that organic products marketed properly command prices up to several times the normal market price. Most farmers using special markets still sell part of their crops through conventional markets. Only a small percentage of respondents said they have adequate market information.

The Act addresses these major problems. It would help foster the development of cooperatives for processing and warehousing. Computer systems could fill the information gap on identification of buyers, sellers, products needed, and products available. The system could provide precise readily available information on price, regulations and organic certification requirements. By providing for the development of state level systems, the Act would foster a regional versus a national approach to organic marketing. This would reduce transportation costs, thereby benefiting producers and consumers.

Section 1002: AMENDMENT TO LEGAL SERVICES CORPORATION ACT

Farm Loss, Public Policy and Legal Services

Farm poverty is inadequately understood. Information as to its sources, its relationship to rural small town decay, and legal remedies which can address both farm poverty and rural decay are badly needed. In Nebraska, we have lost 1,000 farms per year since the mid-1930's. Accompanying this farm loss has been a gradual withering of small towns. Sociologists indicate that for every five farmers that go out of business, approximately one small town business folds. In Walthill, Nebraska, where our office is located, nearly half the store fronts are vacant as a result of the loss of the area's small farm operations.

For years farm loss and rural decay have assumed to be the natural consequence of inevitable economic forces, and little examination was made of the causes and even less of what remedies the unfortunate displaced victims might have. We are only now beginning to appreciate that one very significant cause of farm loss and the subsequent rural decay is ill-conceived and poorly administered public policies. Ironically, many of these public policies were originally designed to aid small-size and low-income farmers. The various sections of the Family Farm Development Act (FFDA) represents both a broad recognition of agricultural and rural policies gone awry and an attempt to rectify some of those policies. Section 1002 of this Family Farm Development Act would amend certain sections of the Legal Services Corporation Act (the "LSC Act") to make explicit that the Legal Services Corporation (the "Corporation") should give due consideration to the unique legal problems of low-income farmers.

We whole-heartedly support the intentions behind the proposed amendments to the LSC Act, but based on our experience in Nebraska we would like to suggest two changes in the amendment. Briefly, we recommend that Section 1007(i) be further amended to make more explicit the low-income farmer legal research agenda to be examined under this section, and we recommend that Section 1010 (a)(2) be further amended to include safeguards to ensure that any appropriations authorized by this subsection and expended by the Corporation be accounted for by the Corporation in an annual report to Congress. Before detailing these proposed amendments, it is necessary to provide some background in the Corporation's experience to date dealing with the delivery of legal services to rural areas and, in particular, to low-income farmers.

Background

1007(h) Study: In December, 1977 Congress amended the LSC Act to require the Corporation to conduct a study of specific low-income client groups' access to legal services provided by the Corporation through its grantee legal services offices. The 1007(h) study (named for the section of the LSC Act which mandated the study) recognizes a theoretical obligation towards low-income farmers but admits that little is being done in this area: "On some (rural) problems, for example, those of the eligible small farm family, there is almost no activity." ("Special Legal Problems and Problems of Access to Legal Services of. . . Individuals in Sparsely Populated Areas: Summary," Legal Services Corporation (1979), p. 48).

Rural Legal Services Model Rejected: In certain states, for example California, Colorado, Texas and Florida, independent Rural Legal Services grantees were recognized and funded by the Corporation. These grantees were established primarily to serve the unique needs of the large population of low-income migrant and seasonal farmworkers who were found in those states. When the Corporation began funding programs to expand into unserved rural areas, it appears for the most part to have rejected the Rural Legal Services model in those states which did not have such an office already in existence.

In Nebraska, service to a limited number of previously unserved rural counties was accomplished by forcing big city offices to expand their geographic coverage to neighboring rural counties. In some instances, this big city expansion model was forced upon reluctant urban offices, and in Nebraska at least one urban office argued that a Rural Legal Services Office would better serve the rural counties of Nebraska. Instead the Corporation, through its regional office in Chicago, opted for administrative reasons, to require the three existing Nebraska legal services office to expand into neighboring counties.

Urban Bias of Present Rural Delivery System

Urban perspective and inertia difficult to overcome. By the big city expansion model, delivery of rural legal services became dependent on proximity to large urban areas. As far as rural legal services was concerned, the message was clear: if you can't be big city, you'd better at least be close to one. This geographic factor serves as metaphor for the short-changing of rural legal services. With the big city expansion model the opportunity of viewing the uniqueness of certain rural legal problems has been lost or at least set back. Urban legal services lawyers receive training that is generally urban oriented, and urban legal services offices have their hands full of important legal problems and issues of the urban poor. These urban offices have developed skills and approaches which are well-suited to their clientele and familiar to the legal services staff. And most important, these urban offices have been responsible for significant impacts in bettering the conditions of the urban poor. This is all understandable and commendable, but it is perfectly predictable that this total urban absorption is going to cause rural problems to be viewed and approached from an urban perspective. In short, the recommendation by the urban office that there be a separate Nebraska Rural Legal Services office was right on target. It was both a

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p.0094-0183

recognition of the urban offices' perspective and of anticipated, but little understood, unique rural needs. It is important now that it not be allowed to become an excuse offered by urban offices for doing less than they should to make up for the years of unserved legal needs of the rural poor.

Urban absorption of funds designed for rural offices: The big city expansion offices faced a host of new problems. The difficulty in recruiting and keeping lawyers for remote satellite offices; the need to develop new approaches in the delivery of legal services in rural areas; unfamiliarity with the rural economy and the sources of local influence; and the dislike in many small rural communities of the open confrontation implicit when contacting a lawyer are a few of these problems. The opening of satellite offices in parts of Nebraska did not go smoothly. Reconstituting the main office's board of directors to proportionately reflect the new rural low-income constituency proceeds very slowly. In the meantime funds intended for the expansion effort lie unused for a portion of the time, get absorbed into the overall budget, and finally by default get used to support the main office's urban programs. It is not that these urban programs are not important or do not deserve additional funding. The point is: the rural poor, including low-income farmers, have never before had any access to free legal services; and the money was specifically intended to rectify that neglect. An urban office's absorption of these funds, consequently, constitutes a kind of "double neglect," and is especially offensive when it is approved by a board which does not adequately represent the rural low-income community.

Recommendations

As a result of our understanding of the evolution of certain rural expansion efforts conducted by urban-based offices, we feel that there is a real danger that funds appropriated under the proposed authorization could be used inappropriately. (FFDA Sec. 1002(b) amending LSC Act Sec. 1010(a)(2)). We recommend, therefore, that LSC Act Section 1010(a)(2) be further amended to require that the Corporation adopt auditing and/or accounting procedures by which to ascertain how funds appropriated and expended under the proposed authorization are actually spent. In addition, we recommend that the Corporation submit to Congress an annual report on its rural expansion effort and specifically on its implementation of programs conducted under proposed LSC Section 1007(i) and on the use of funds appropriated under the authority of proposed LSC Section 1010(a)(2).

In addition, we recommend that LSC Section 1007(i) be further amended to read as follows:

> "(i) The Corporation shall make grants to and contracts with recipients and with nonprofit organizations to conduct research on legal issues and governmental administrative practices which may adversely affect eligible low-income farmers, and to serve as clearinghouses to make available to eligible clients information relating to legal issues and governmental administrative practices involving primarily the ownership and operation of farms."

TITLE IV—LOANS FOR APPROPRIATE TECHNOLOGY

We think the intentions of this title can be made more explicit by including in the definition of "appropriate technology" systems that are built by the farmer-borrower. As the definition is now worded ("readily operated, maintained, and repairable") it appears to exclude farmer-built technology. The experiences of the Small Farm Energy Project are illustrative. (See Attachments A and D).

In 1978 Gary Young, a farmer from Cedar County, Nebraska, noticed an ad in a farm magazine for a portable collector. Some ideas clicked together, and he contacted the staff of the Small Farm Energy Project and built his own portable collector using an old unused running gear, scrap lumber, glazing bought from the local lumber yard, and fan and ducting arrangements suggested by the Energy Project staff. This collector has been used to dry grain in the fall and heat the Young's home in the winter. More interesting it has outperformed a commercially manufactured portable collector which was sponsored by USDA's Farmers Home Administration (FmHA), and when the USDA/FmHA collector was compared to the "Gary Young collector," that latter's superior performance caused USDA/FmHA to scrap plans to use the USDA/FmHA collector for farm purposes (See letter from Secretary Bergland, Attachment E).

This episode stands as a testament to the viability of and great potential of farmer-built appropriate energy systems. We feel that the notion of farmer- or owner-built systems should be at the heart of the "appropriateness" of appropriate technology. Consequently, we recommend that the definition of appropriate technology (FFDA, Sections 401(a)(c)(3); 401(b)(2)(A); and 1003(1)) be changed so as to include the following sentence after the word "perform.":

> "In addition appropriate technology can be built by borrowers when such borrowers have the requisite skills and the designs are approved by the Secreatry or his designee as provided elsewhere in this Act."

The story of the Gary Young collector is important for another reason. (Attachment F and G). Plans for the Young collector were submitted to FmHA for endorsement so that FmHA borrowers may utilize the designs of this time-proven model. Those plans were submitted to FmHA's Office of Technology Service in November, 1979. To this date we have heard no final word on this submission even though, a letter from Secretary Bergland (Attachment E) acknowledged the superiority of the Young collector to the design which USDA/FmHA had been actively publicizing. As a result of this reluctance to acknowlege the importance of appropriate technology to a small-scale family farmer we recommend that Title IV of the Family Farm Development Act be amended to provide that the Secretary, through FmHA, establish procedures for certifying appropriate technology designs which comply with the appropriate technology definition of this section as changed by the wording suggested in the above paragraph. Such procedures should provide for a reasonable time frame within which FmHA must respond to an appropriate technology design submission, and it should mandate that a roster of approved farmer-built systems be maintained at FmHA county offices.

SUMMARY

We support the Family Farm Development Act. It is a positive and broad attempt to reverse the public policy atmosphere which is the main detriment to a dispersed agriculture. It aims both at removing some of the subsidies to a large scale agriculture and developing new programs to support small and moderate scale farmers. We urge the sponsers of the Act to continue to work to improve it and to press for its passage.

(The attachments referred to are held in the subcommittee file.)

96TH CONGRESS
2D SESSION

H. R. 6295

To encourage the ownership and development of family farms, to provide for research and education relating to family farms, to authorize the President to stabilize food prices, to authorize the Secretary of Agriculture to provide financial assistance for the production of industrial hydrocarbons and alcohols from agricultural commodities and forest products, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 1980

Mr. NOLAN (for himself and Mr. BROWN of California) introduced the following bill; which was referred jointly to the Committees on Agriculture, Education and Labor, Interstate and Foreign Commerce, the Judiciary, and Ways and Means

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A BILL

To encourage the ownership and development of family farms, to provide for research and education relating to family farms, to authorize the President to stabilize food prices, to authorize the Secretary of Agriculture to provide financial assistance for the production of industrial hydrocarbons and alcohols from agricultural commodities and forest products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE; TABLE OF CONTENTS

SECTION 1. This Act may be cited as the "Family Farm Development Act of 1980".

TABLE OF CONTENTS

Sec. 1. Short title; table of contents.
Sec. 2. Findings and purposes.

TITLE I—FAMILY FARM DEVELOPMENT SERVICE

Sec. 101. Establishment of Family Farm Development Service.
Sec. 102. Establishment of Research Board.
Sec. 103. Authorization of appropriations.

TITLE II—RESEARCH PROGRAM

Sec. 201. Establishment of research program.
Sec. 202. Scope of research program.
Sec. 203. Reports and recommendations.
Sec. 204. Authorization of appropriations.

TITLE III—EDUCATION, TRAINING, AND DEMONSTRATION PROGRAMS

Sec. 301. Paraprofessional program.
Sec. 302. Demonstration and training centers.
Sec. 303. Demonstrations on operating farms.
Sec. 304. Appropriate technology extension program.
Sec. 305. Pest control and soil improvement instruction.
Sec. 306. Apprenticeship program.
Sec. 307. Clearinghouse for information regarding availability of farms.
Sec. 308. Foreign scholarship program.
Sec. 309. Authorization of appropriations.

TITLE IV—LOANS FOR APPROPRIATE TECHNOLOGY

Sec. 401. Expansion of availability of loans under Consolidated Farm and Rural Development Act.

TITLE V—AMENDMENTS TO INTERNAL REVENUE CODE OF 1954

Sec. 501. Short title.
Sec. 502. Limitation on deductions attributable to farming.
Sec. 503. Accrual method of accounting required for certain persons engaged in farming.
Sec. 504. Capital gains tax applicable to transfer of rural land by foreign investors.

TITLE VI—FAMILY FARM OWNERSHIP PROGRAM

Sec. 601. Establishment of grant program.
Sec. 602. Establishment of revolving fund accounts of grant recipients.
Sec. 603. Purchase and sale of farms by grant recipients.
Sec. 604. Selection of purchaser.
Sec. 605. Conditions of sale.
Sec. 606. Rules.
Sec. 607. Definitions.
Sec. 608. Authorization of appropriations.

TITLE VII—INDUSTRIAL HYDROCARBONS AND ALCOHOLS

Sec. 701. Financial assistance for production of industrial hydrocarbons and alcohols.
Sec. 702. Application for financial assistance.
Sec. 703. Eligibility for financial assistance.
Sec. 704. Limitations on financial assistance.
Sec. 705. Noncompliance with conditions applicable to receiving financial assistance.
Sec. 706. Exemption of surplus commodities from marketing agreements and marketing orders.
Sec. 707. Definitions.
Sec. 708. Authorization of appropriations.

TITLE VIII—FARM MARKETING PROGRAMS

Sec. 801. Farmer cooperative service.
Sec. 802. Amendments to National School Lunch Act.
Sec. 803. Agricultural marketing service.
Sec. 804. Computerized marketing for agricultural products.
Sec. 805. Federal-State direct marketing program.

TITLE IX—FOOD PRICE STABILIZATION

PART A—FOOD PRICE STABILIZATION

Sec. 911. Presidential authority.
Sec. 912. Delegation.
Sec. 913. Injunctions.

PART B—FOOD PRICE REVIEW BOARD

Sec. 921. Establishment of Food Price Review Board.
Sec. 922. Duties of Board.
Sec. 923. Composition of Board.
Sec. 924. Staff of Board.
Sec. 925. Powers of Board.
Sec. 926. Definitions.

TITLE X—MISCELLANEOUS AMENDMENTS; DEFINITIONS

Sec. 1001. Amendments to Federal Trade Commission Act.

Sec. 1002. Amendments to Legal Services Corporation Act.
Sec. 1003. Definitions.

FINDINGS AND PURPOSES

SEC. 2. (a) The Congress finds that—

(1) a strongly developed family farm system of agriculture is an essential component to a healthy environment and national economy;

(2) the economic health and well-being of farm communities and the stability of the farm economy as a whole depend on local ownership of farmland and on landownership patterns that include farms affordable to new and young farmers wishing to enter the practice of agriculture;

(3) increasingly, the trend in farm areas is toward fewer and larger farms which, while not necessarily leading to increases in production, decreases the stability of farm communities, especially as absentee ownership by land speculators, large agribusiness enterprises, and other such entities replaces family farm operations which traditionally support a diversified local economy, valued community institutions, and an agricultural community based upon family farms;

(4) a strong family farm system of agriculture provides a widely dispersed mechanism of food and fiber production and marketing to ensure continuous, local,

reasonably priced food supplies and an active demand for secondary services in rural communities;

(5) the family farm system of agriculture described in paragraph (2) is in the best interests of urban and rural consumers;

(6) Government policies, including price supports, taxes, loans, marketing programs, soil and water conservation programs, research, and education have a direct and substantial effect on the development, continuation, and maintenance of productive family farms;

(7) as family farms have dwindled in number and expanded in size, the economy of rural communities has declined, in part due to the impact of Government policies which have contributed to (A) instability of farm prices; (B) rising costs of land; (C) high costs and scarcity of energy-intensive farming inputs; (D) marketing problems; (E) limited financing for small- and moderate-sized family farms; and (F) research, technology, training, and education inappropriate to the conservation of soil and water, and the development and maintenance of a productive family farm system of agriculture;

(8) the agricultural land of the Nation is a natural resource which has multiple uses including food and fiber production, habitat for fish and wildlife, a source

of open space and clean water for public health, and a vegetative cover necessary for the maintenance of clean air and the revitalization of a productive soil base; and

(9) the Secretary of Agriculture should provide leadership by establishing family farm priorities, changing current programs, and establishing new programs in order to improve the quality of life of small- and moderate-sized family farmers, to encourage the continuation of small- and moderate-sized family farms, to create opportunities for the expansion of a family farm system of agriculture, and to support economically viable rural communities.

(b) It is the purpose of this Act—

(1) to increase the income from small- and moderate-sized family farms;

(2) to encourage the improvement and maintenance of small- and moderate-sized family farms;

(3) to develop and offer new and improved incentives and farming techniques which will provide new opportunities for small- and moderate-sized family farmers;

(4) to assist new farmers in becoming established agricultural producers;

(5) to provide for the conservation of the soil and water resources of the Nation through improved programs and additional incentives;

(6) to broaden education and training facilities for farmers lacking information which is necessary to manage such farms efficiently; and

(7) to strengthen the economic base of rural communities and thereby improve opportunities for a better rural life for those living on farms or working in rural areas.

TITLE I—FAMILY FARM DEVELOPMENT SERVICE

ESTABLISHMENT OF FAMILY FARM DEVELOPMENT SERVICE

SEC. 101. (a) There is established within the Department of Agriculture a Family Farm Development Service to be headed by an Administrator who shall be appointed by the Secretary and who shall be compensated at the rate then payable for level V of the Executive Schedule under section 5316 of title 5, United States Code. The Secretary shall appoint a person as the first Administrator not later than the expiration of the ninety-day period beginning on the date of the enactment of this Act. The Administrator shall be a person who by reason of professional background and experience is specially qualified to head the Family Farm Development Service.

(b) It shall be the duty and responsibility of the Administrator of the Family Farm Development Service—

(1) to carry out the provisions of this Act assigned to the Administrator or to the Family Farm Development Service by the Secretary;

(2) to coordinate activities within the Department concerning development and maintenance of small- and moderate-sized family farms, including the activities of the Extension Service, the Farmer Cooperative Service, the Economic Research Service, the Agricultural Marketing Service, the Cooperative State Research Service, the Agricultural Research Service, the Rural Development Service, and the Farmers Home Administration;

(3) to evaluate the activities referred to in paragraphs (1) and (2) on an annual basis and to keep the Secretary and the Congress fully and currently informed, by means of the reports required by subsection (c) and other means, concerning such activities and the results of such evaluation;

(4)(A) to develop, during the three-and-one-half-year period beginning on the date of the enactment of this Act, a national long-term plan for the development and maintenance of a system of agriculture which provides ample incentives (financial and other incentives) to encourage the use and development of new and improved farming techniques, technology, and mechanisms of food distribution, and thereby enables small- and moderate-sized family farmers to increase the energy efficiency of their farming operations, to increase productivity per acre on their farms, to increase conservation of the quality and quantity of soil and water, to increase usage of organic wastes on their farms, to improve the marketing capabilities with respect to agricultural commodities produced on their farms, and to improve the economic viability of their farms; and

(B) to submit a report containing such plan to the Secretary and to the Congress before the end of such period; and

(5) to carry out such other duties as the Secretary may impose in connection with the duties specified in paragraphs (1) through (4), which do not interfere with performance of the duties specified in such paragraphs.

(c) The Administrator of the Family Farm Development Service shall, not later than January 1 of each year, submit an annual report to the Secretary and to the Congress summarizing the activities of the Department referred to in paragraph (1) and paragraph (2) of subsection (b), and the activities of the Family Farm Development Service. Such report shall include at least the following:

(1) an identification and description of significant problems and deficiencies of the Department and the Family Farm Develpment Service with regard to their respective activities;

(2) a description of recommendations for corrective action made by the Family Farm Development Service with respect to significant problems or deficiencies identified and described under paragraph (1); and

(3) an evaluation of progress made in implementing the provisions of this Act and the recommendations described in the report and, when appropriate, in previous reports.

ESTABLISHMENT OF RESEARCH BOARD

SEC. 102. (a) There is established in the Family Farm Development Service the Research Board to be composed of thirteen members as follows:

(1) two members appointed by the Secretary from among small- and moderate-sized family farmers;

(2) two members appointed by the Secretary from among individuals who represent the views of consumers and who are not engaged in farming;

(3) two members appointed by the Secretary from among individuals trained in soil and water conservation;

(4) two members appointed by the Secretary from among farm laborers who are employed on a salary basis;

(5) one member appointed by the Secretary from among representatives of units of general local government;

(6) one member appointed by the Secretary from among representatives of land grant colleges and universities (as defined in section 1404(10) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103(10));

(7) the delegate of the Assistant Secretary for Rural Development, Department of Agriculture;

(8) the delegate of the Assistant Secretary for Conservation, Research, and Development, Department of Agriculture; and

(9) the Governor of the Farm Credit Administration or his delegate.

(b)(1) Members of the Research Board specified in paragraph (1) through paragraph (6) of subsection (b) shall be appointed for terms of six years.

(2) Of such members first appointed by the Secretary, one-half of such members shall be appointed for terms of three years.

(3) Any such member appointed by the Secretary to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(4) A vacancy in the Board shall be filled in the manner in which the original appointment was made.

(c) It shall be the duty and responsibility of the Research Board—

(1) to advise the Administrator in selecting persons and governmental entities to participate in the research program established under section 201 and in selecting projects to approve for grants under such program;

(2) to assist the Administrator in overseeing research projects under such program and to review the results of such projects;

(3) to oversee all dispersals and expenditures of funds under sections 201, 302, 303, and 306;

(4) to assist the Secretary in overseeing the establishment and operation of demonstration and training centers under section 302;

(5) to assist the Secretary in selecting State departments of agriculture and nonprofit organizations to receive grants for the conduct of demonstrations on small- and moderate-sized family farms under section

303 and for reviewing the results of such demonstrations; and

(6) to assist the Secretary in establishing and carrying out the apprenticeship program under section 306.

(d)(1) Except as provided in paragraph (2), members of the Research Board shall be compensated at the daily equivalent of the annual rate of basic pay then payable for grade GS-15 of the General Schedule under section 5332 of title 5, United States Code, for each day (including traveltime) during which they are engaged in the actual performance of duties vested in the Research Board.

(2) Members of the Research Board who are full-time officers or employees of the United States shall receive no additional pay on account of their service on the Research Board.

(3) While away from their homes or regular places of business in the performance of services for the Research Board, members of the Research Board who are not full-time officers or employees of the United States shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5, United States Code.

(d) Section 14(a)(2) of the Federal Advisory Committee Act (5 U.S.C. app.) shall not apply with respect to the Research Board.

AUTHORIZATION OF APPROPRIATIONS

SEC. 103. There is authorized to be appropriated for fiscal year 1981 and for each fiscal year thereafter $1,500,000 to carry out the provisions of this title.

TITLE II—RESEARCH PROGRAM

ESTABLISHMENT OF RESEARCH PROGRAM

SEC. 201. (a) With the assistance of the Research Board, the Administrator of the Family Farm Development Service, acting through the facilities and personnel of the Department or through grants made under contracts or other arrangements with individuals, private institutions and organizations, land-grant colleges, other colleges and universities, agencies of States or local governments (including State experiment stations) involved in agricultural research activities, and other Federal agencies involved in related research activities, shall undertake and conduct intensive research concerning the development and maintenance of small- and moderate-sized family farms in the United States. Such research shall be primarily directed at the improvement of small family farms with annual gross sales derived from farming of less than $30,000 (adjusted annually for each calendar year beginning after 1980 to reflect the change in the Consumer

Price Index for All Urban Consumers published by the Department of Labor) and moderate-sized family farms with annual gross sales derived from farming of less than $100,000 (adjusted annually for each calendar year beginning after 1980 to reflect the change in the Consumer Price Index for All Urban Consumers published by the Department of Labor).

(b) Grants may be made under this section only to persons and governmental entities which are determined by the Administrator to be qualified by knowledge or past experience to conduct the research for which the grant involved is to be made.

(c) Any contract or other arrangement made with any person or governmental entity for the conduct of research under this section shall contain or be subject to such conditions and requirements (including fiscal control and fund accounting procedures) as the Secretary may determine to be reasonable and consistent with the objectives of this title.

(d) In making grants under this section, the Administrator shall attempt to distribute the total amount of funds for which grants are made under this section on an equitable basis among the various classes of persons referred to in subsection (a).

SCOPE OF RESEARCH PROGRAM

SEC. 202. Research conducted under section 201 shall include at least the following matters:

(1) analysis of the sizes and numbers of various types of farms, including—

(A) analysis of economic, social, and other factors which cause reductions in the number of small- and moderate-sized family farms;

(B) development of methods to increase the number of small- and moderate-sized family farms and to change and control the effects of factors affecting farm sizes and numbers;

(C) gathering current statistics regarding farm sizes and numbers;

(D) analysis of trends regarding changes in farm sizes and numbers; and

(E) analysis of the relationship among farm expansion, increased investment in agricultural activities from nonfarm sources, reductions in the number of farm operators, and the economy in rural communities;

(2) surveys, conducted at least every five years, to determine who the beneficial and nominal owners of agricultural lands are and to analyze trends occurring with respect to such ownership;

(3) development of methods to enhance the lifestyle of the small- and moderate-sized family farmer both on his farm and in his rural community;

(4)(A) development of methods to increase the energy efficiency of existing farm equipment and technology;

(B) development of new and improved farming techniques and technologies which are low cost, energy efficient, and environmentally protective, including technologies concerning livestock and crop production, soil and water conservation, and methods of increasing the utilization of renewable sources of energy (such as the Sun, wind, water, waste products, and plants);

(C) determinations of the cost and cost effectiveness of the various farm technologies developed, particularly in comparison to the costs of current technology being used on farms; and

(D) development of methods to make new and improved farm technologies available to small- and moderate-sized family farmers through various marketing systems and to provide information and education to such farmers concerning the proper use of such technologies;

(5) development of methods to improve soil conservation and nutrient levels of the soil, to increase soil

productivity, and to reduce nutrient runoff and water pollution from farming activities;

(6) development of information concerning humus matter in soil, including—

(A) the effects of increasing humus matter in soil on water retention of the soil, the necessity for irrigation, soil erosion, pest control, plant growth, nutritional quality of foods, animal health, tillage needs, and nitrate runoff; and

(B) methods of increasing humus matter in the soil, such as composting, cover cropping, green manuring, crop rotation, and improved tillage methods;

(7) development of new and improved methods of sustainable agriculture, integrated pest management, and mixed cropping, and development of alternative sources of feed for livestock;

(8) cost-benefit analyses of sustainable agriculture, including changes in cost and energy usage over five-year periods as a result of increased compost usage in soil and changes in livestock mortality rates, livestock infection rates, and farming costs which result from using livestock feeds other than grains;

(9) development of closed nutrient cycle models for small family farms and a cost-benefit analysis of such models;

(10) determination of the needs of small- and moderate-sized family farmers taking into consideration methods of agriculture used in foreign countries;

(11) comparisons of conventional and sustainable agriculture, including comparisons of the productivity and other outputs obtained from using such systems, and of the costs, technology, labor, and other inputs used to obtain such productivity and such other outputs; and

(12) development of crops, farming methods and technology, farm credit, and farm management which are particularly suited to increasing the income and improving the lifestyle of operators of small family farms.

REPORTS AND RECOMMENDATIONS

SEC. 203. (a) The Secretary shall prepare and submit to the President and the Congress an annual report on the results of research conducted under section 201. The first such report shall be submitted not later than the expiration of one year beginning on the date of the enactment of this Act.

(b) Each report submitted under subsection (a) shall include or be accompanied by the Secretary's recommendations with respect to further research, demonstration, and testing and with respect to any additional areas to which future research and studies should be directed. Each such recommendation shall include estimates of the funds needed to carry out such recommendation. The Secretary's recommendations shall include proposals for any legislation needed to implement such recommendations or to carry out the purposes of this title.

(c) The Secretary shall keep the demonstration and training centers established under section 302 advised of the research being carried out under this title and of the results of such research.

AUTHORIZATION OF APPROPRIATIONS

SEC. 204. There are authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983 not to exceed $50,000,000 to carry out the provisions of this title.

TITLE III—EDUCATION, TRAINING, AND DEMONSTRATION PROGRAMS

PARAPROFESSIONAL PROGRAM

SEC. 301. (a) Section 502 of the Rural Development Act of 1972 (7 U.S.C. 2662) is amended—

(1) by striking out "and universities" in the first sentence and inserting in lieu thereof the following: ", universities, private organizations, groups, and individuals"; and

(2) by striking out subsection (d) and inserting in lieu thereof the following new subsection:

"(d) SMALL FARM EXTENSION PROGRAM.—(1) There shall be established in each State coordinated small farm extension programs. Such programs shall provide small farmers with education and demonstration assistance concerning maintenance and improvement of their economic and social standards of living. Such assistance shall, to the maximum extent possible, be provided by paraprofessionals working with such farmers on an intensive basis to initiate and improve production operations, farm management techniques, financing and marketing skills, and farming methods which lower production and operation costs, including appropriate technology, sustainable agriculture, integrated pest management, new crops suited to small farms, multicropping methods, availability of financial and educational assistance in other Federal, State, or private programs, recordkeeping and credit management, new forms of direct and cooperative marketing, processing, and distribution. Such paraprofessionals shall, to the extent possible, be hired from the local areas where they will be working and consist of small farmers.

"(2) For purposes of paragraph (1), the term 'sustainable agriculture' means agriculture designed to produce long-term sustainable yields by avoiding, to the extent practicable, the use of synthetic processes in the soil and by using, to the extent practicable, renewable inputs (including green manure, compost, and animal wastes), to realize yields of a quantity and quality comparable to or greater than yields resulting from conventional agricultural techniques.".

(b) Section 503(c) of the Rural Development Act of 1972 (7 U.S.C. 2663(c)) is amended by striking out "for each of the fiscal years ending September 30, 1978, and September 30, 1979" and inserting in lieu thereof "for the fiscal year ending September 30, 1978, and $50,000,000 for each fiscal year thereafter".

DEMONSTRATION AND TRAINING CENTERS

SEC. 302. (a) The Secretary, acting through the Family Farm Development Service and with the assistance of the Research Board of the Family Farm Development Service, shall, on a competitive basis, select a qualified agency, group, or organization to establish and operate in each State demonstration and training centers for small- and moderate-sized family farmers.

(b) The Secretary shall enter into contracts or other arrangements with any agency, group, or organization selected under subsection (a) to operate the center involved. Such contracts or other arrangements shall at least ensure that such center is established and operated in accordance with the provisions of this section and shall contain or be subject to such other terms and conditions as the Secretary determines are necessary to carry out the purposes of this section and to protect the financial interests of the United States.

(c) The Secretary, acting through the Family Farm Development Service and with the assistance of the Research Board, shall oversee the establishment and operation of demonstration and training centers under this section.

(d) Each demonstration and training center established and operated under this section shall, to the extent practicable, be located in rural areas which have a large number of small- and moderate-sized family farmers.

(e) Each demonstration and training center established and operated under this section shall have the following duties and responsibilities:

(1) to establish and carry out an educational program which—

(A) has a fee for tuition not in excess of the average fee for tuition charged by public colleges and universities located in the State where such center is located;

(B) provides instruction to students in the educational program concerning all facets of operation, maintenance, and management of small- and moderate-sized family farms, including instruction concerning crop and livestock production, basic skills of proper machine operation, maintenance, and repair, carpentry, business management, farm financing and recordkeeping, marketing strategies to increase marketing potential for small- and moderate-sized family farmers, methods of forming cooperatives, conservation and quality preservation of soil and water, waste utilization, and State and Federal agricultural assistance programs;

(C) provides, to the maximum extent practicable, the instruction referred to in subparagraph (B) by utilizing new farming technology and techniques which are small scale, low cost, self-sufficient, and environmentally sound, including such technology and techniques as production of fertilizers and feeds on small- and moderate-sized family farms, stringent soil and water conservation principles, direct and cooperative processing and marketing, utilization of renewable sources of energy, new crops, varied cropping systems, and innovative financing techniques; and

(D) issues certificates of skill to students who complete such program satisfactorily;

(2) to demonstrate new appropriate technologies and methods of conserving and utilizing energy, soil, water, and organic matter;

(3) to monitor information concerning and the results of current agricultural research being carried out through the Department or through agencies of State or local governments (including local, State, and regional experiment stations);

(4) to provide tours of the center and explanations of its programs to farmers and interested groups;

(5) to consult on a regular basis with the Extension Service, experiment stations, and paraprofessionals who provide assistance under section 502(d) of the Rural Development Act of 1972 (7 U.S.C. 2662(d)) for purposes of coordinating and publicizing activities;

(6) to prepare and submit to the head of the department of agriculture of the State in which the center is located and to the Secretary an annual report on the establishment and operation of the center, containing summaries of information concerning demonstrations carried out by the center under paragraph (2), including energy savings, if any, resulting from such demonstrations; soil erosion and soil quality statistics pertaining to such demonstrations; water usage and water quality of such demonstrations; the amount of agricultural commodities produced per acre by such demonstrations; the cost per acre of producing agricul-

tural commodities by such demonstrations; and the income derived from such demonstrations.

The first report required under paragraph (6) shall be submitted not later than one year after the establishment of the center involved.

(f) On January 1 of each year, the Secretary shall submit to the Congress an annual report on the establishment and operation of demonstration and training centers under this section and on the results being obtained at such centers through the education and demonstration programs referred to in paragraphs (1) and (2) of subsection (e).

DEMONSTRATIONS ON OPERATING FARMS

SEC. 303. (a) The Secretary acting through the Family Farm Development Service and with the assistance of the Research Board, may make a grant in each State for purposes of having agricultural demonstrations carried out on small- and moderate-sized family farms operating in such State.

(b) The Secretary shall make the grants referred to in subsection (a) under contracts or other arrangements with the State department of agriculture involved or any nonprofit organization operating within the State involved. The Secretary shall select the department or such organization, whichever he determines, on the basis of proposals submitted to him, is qualified to administer in such State a demonstration farm program under this section.

(c) Any contract or other arrangement made with a State department of agriculture or nonprofit organization for the operation of a demonstration farm program under this section shall contain or be subject to such conditions and requirements (including fiscal control and fund accounting procedures) as the Secretary determines are necessary to ensure that such program is carried out in accordance with the provisions of this section.

(d) Any State department of agriculture or nonprofit organization receiving a grant under this section shall, in consultation with the Secretary and the Research Board, select not fewer than ten agricultural demonstrations to be carried out in the States involved. The demonstrations shall be carried out on small- or moderate-sized family farms which were operating in such State on the date of the enactment of this Act and which such State department of agriculture or such nonprofit organization selects. An owner of a selected farm who is willing to carry out such a demonstration shall enter into an agreement with such State department of agriculture or such nonprofit organization. Such agreement shall include the following provisions:

(1) that any equipment necessary to carry out the demonstration may be installed on such farm;

(2) that the owner of such farm will operate and maintain such equipment and will carry out the demonstration under such terms and conditions as such State department of agriculture or such nonprofit organization may require;

(3) that during the period that the demonstration is to be carried out on such farm—

(A) the Department, acting through the Extension Service and Family Farm Development Service, will provide the owner of such farm with such technical assistance concerning operation and maintenance of the equipment and conduct of the demonstration as the owner may request;

(B) the owner of such farm will record the results of the demonstration including changes in production, production costs, energy usage, and water usage;

(C) the owner of such farm will report such results, along with other appropriate findings and recommendations made by the owner concerning the demonstration, to such State department of agriculture or nonprofit organization; and

(D) the owner will provide tours relating to, and information concerning the costs and results of, the demonstration to farmers, other interested individuals, and interested groups; and

(4) that at the end of the period referred to in paragraph (3), the owner will have all right, title, and interest to such equipment.

(e) At least annually each State department of agriculture and each nonprofit organization receiving a grant under this section shall submit a report to the Administrator of the Family Farm Development Service on the agricultural demonstrations being carried out under such grant and on the results of such demonstrations.

(f) As used in this section, the term "agricultural demonstration" means appropriate technology and new farming techniques which are carried out on a farm for demonstration purposes and which are small scale, low cost, energy efficient, and environmentally sound. Such techniques and technology include production of fertilizers and feeds on small- and moderate-sized family farms, stringent soil and water conservation principles, direct and cooperative processing and marketing, utilization of renewable sources of energy, new crops, varied cropping systems, and innovative financing techniques.

APPROPRIATE TECHNOLOGY EXTENSION PROGRAM

SEC. 304. (a) The Secretary shall develop and implement in each State an extension program for the purpose of instructing small- and moderate-sized family farmers regarding the installation and operation of appropriate technology on small- and moderate-sized family farms. For each ten thousand farms in such State, the Secretary shall assign at least one individual to provide such instruction on a full-time basis.

(b) For purposes of subsection (a), the term "extension" shall have the meaning given it in section 1404(7) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3103(7)).

PEST CONTROL AND SOIL IMPROVEMENT INSTRUCTION

SEC. 305. The Secretary shall, to the maximum extent practicable, establish and carry out a program which provides instruction and demonstrations to small- and moderate-sized family farmers regarding integrated pest management, methods of enhancing soil fertility, methods of improving water quality and decreasing health hazards related to heavy usage of chemicals, and methods of increasing fertility and humus content of the soil through the use of various cropping systems and the application of organic matter to the soil.

APPRENTICESHIP PROGRAM

SEC. 306. (a) The Secretary, acting through the Family Farm Development Service and the Research Board, shall establish and carry out a program—

(1) which encourages small- and moderate-sized family farmers to hire and train as apprentice farmers individuals desiring to become small- and moderate-sized family farmers; and

(2) which makes available—

(A) to small- and moderate-sized family farmers interested in participating in the program information concerning the names and addresses of individuals interested in becoming apprentice farmers; and

(B) to individuals interested in becoming apprentice farmers in the program information concerning the locations and descriptions of apprenticeship positions which are available under the program.

(b) Any individual who has served as an apprentice farmer for at least three years under the apprenticeship program described in subsection (a) and who presents to the Secretary documents signed by the farmer who trained such individual under the program and certifying that such individual has the ability and training to operate a small- or moderate-sized family farm shall be deemed to have a farm background for purposes of sections 302(2) and 311(a)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922(2), 1941(a)(2)), pertaining to eligibility for real estate and operating loans, respectively.

CLEARINGHOUSE FOR INFORMATION REGARDING AVAILABILITY OF FARMS

SEC. 307. The Secretary, acting through the Family Farm Development Service and the Extension Service, shall establish with the State department of agriculture in each State a program which maintains and makes available to small- and moderate-sized family farmers and individuals interested in becoming small- or moderate-sized family farmers current information concerning the prices and locations of small- and moderate-sized family farms which are for sale and the names and addresses of persons interested in buying small- and moderate-sized family farms and operating them as such farms.

FOREIGN SCHOLARSHIP PROGRAM

SEC. 308. The Secretary, in coordination with the Family Farm Development Service, shall establish a scholarship program for farmers, potential farmers, instructors of farmers, and potential instructors of farmers which assists such persons in studying sustainable agriculture methods in foreign countries. Such program shall at least ensure that—

(1) a person selected by the Secretary will have the opportunity in a foreign country agreeing to participate in such program to study the methods of sus-

tainable agriculture in such country for a period of four years; and

(2) at the end of such four-year period of instruction, such person will return to the United States and assist the Department in training other persons concerning sustainable agriculture methods.

AUTHORIZATION OF APPROPRIATIONS

SEC. 309. (a) There are authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983 $50,000,000 to carry out the provisions of sections 302 and 303.

(b) There are authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983 $10,000,000 to carry out the provisions of section 304 through section 308.

TITLE IV—LOANS FOR APPROPRIATE TECHNOLOGY

EXPANSION OF AVAILABILITY OF LOANS UNDER CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

SEC. 401. (a) Section 303(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1923(b)) is amended—

(1) by striking out "; and" in paragraph (1) and inserting in lieu thereof "and the use of appropriate technology;";

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(3) the term 'appropriate technology' means technology which is locally suited, environmentally protective, low cost, economical in use of scarce resources, readily operated, maintained, and repairable, and directly suitable in size and complexity to the task it is to perform.".

(b) Section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) in paragraph (3) by inserting "and the use of appropriate technology" after "cash rent"; and

(2) in the last sentence—

(A) by inserting "the term 'appropriate technology' means technology which is locally suited, environmentally protective, low cost, economical in use of scarce resources, readily operated, maintained, and repairable, and directly suitable in size and complexity to the task it is to perform;" after "subtitle,", and

(B) by inserting before the period the following: "; and the term 'sustainable agriculture' means agriculture designed to produce long-term, sustainable, yields by avoiding, to the extent practicable, the use of synthetic processes in the soil and by using, to the extent practicable, renewable inputs (including green manure, compost, and animal wastes), to realize yields of a quantity and quality comparable to or greater than yields resulting from the use of conventional agricultural techniques".

(c) Sections 302(1), 310D(a)(1), 311(a)(1), and 321(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922(1), 1934(a)(1), 1941(a)(1), 1961(1)) are amended by striking out "citizens" each place it appears and inserting in lieu thereof "residents".

(d) The first sentence of section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) by striking out "and" in paragraph (9); and

(2) by inserting before the period the following: ", and (11) paying costs incident to instituting methods of sustainable agriculture and integrated pest management".

(e) Section 316 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1946) is amended by adding at the end thereof the following new subsection:

"(c) Notwithstanding subsection (a) and subsection (b), each loan made or insured to carry out any purpose described in section 312(a)(11) shall be repayable in such installments as the Secretary determines will provide for reduced payments during the initial repayment period of the loan and larger repayments during the remainder of the repayment period of the loan.".

TITLE V—AMENDMENTS TO INTERNAL REVENUE CODE OF 1954

SHORT TITLE

SEC. 501. This title may be cited as the "Farm Tax Equity Act of 1980".

LIMITATION ON DEDUCTIONS ATTRIBUTABLE TO FARMING

SEC. 502. (a) Part IX of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 280D. LIMITATION ON DEDUCTIONS ATTRIBUTABLE TO FARMING.

"(a) LIMITATIONS ON DEDUCTIONS.—

"(1) GENERAL RULE.—In the case of a taxpayer engaged in the trade or business of farming, the deductions attributable to such trade or business which, but for this section, would be allowable under this chapter for the taxable year shall not exceed the aggregate of—

"(A) the gross income of such taxpayer derived from the trade or business of farming for such taxable year, and

"(B) $17,500 reduced (but not below 0) by the amount by which the nonfarm adjusted gross income of such taxpayer for the taxable year exceeds $17,500.

"(2) INFLATION ADJUSTMENT.—In the case of a taxable year ending after December 31, 1980, there shall be substituted for $17,500 each place it appears in paragraph (1)(B) and in subsection (b)(2) an amount equal to—

"(A) $17,500, multiplied by

"(B) the inflation adjustment applicable to the calendar year ending within the taxable year.

The amount determined under this paragraph shall be rounded to the nearest dollar.

"(b) EXCEPTIONS.—

"(1) TAXPAYERS USING ANNUAL ACCRUAL METHOD OF ACCOUNTING.—

"(A) IN GENERAL.—Subsection (a) shall not apply to any taxpayer for the taxable year if such taxpayer elects to compute taxable income from the trade or business of farming for the taxable year on the annual accrual method of accounting (as defined in section 447(g)(2)).

"(B) TIME, MANNER, AND EFFECT OF ELECTION.—An election under subparagraph (A) for any taxable year shall be filed within the time prescribed by law (including extensions thereof) for filing the return of the tax imposed by this chapter for such taxable year, and shall be made and filed in such manner as the Secretary shall prescribe by regulations. Such election shall apply to the taxable year for which made and all subsequent taxable years and may not be revoked except with the consent of the Secretary.

"(C) CHANGE OF METHODS OF ACCOUNTING, ETC.—If, in order to comply with the election made under subparagraph (A), a taxpayer changes his method of accounting in computing taxable income from the trade or business of farming, such change shall be treated as having been made with the consent of the Secretary and for the purpose of section 481(a)(2) shall be treated as a change not initiated by the taxpayer.

"(2) TAXPAYERS NOT HAVING EXCESSIVE NONFARM ADJUSTED GROSS INCOME.—Subsection (a) shall not apply to any taxpayer for the taxable year if the nonfarm adjusted gross income of the taxpayer for the taxable year does not exceed $17,500.

"(c) Married Individuals Filing Separate Returns.—

"(1) In general.—In the case of any married individual—

"(A) who files a separate return for the taxable year, and

"(B) the spouse of whom has any income or deductions attributable to the trade or business of farming for such year,

there shall be substituted for the dollar amounts which would (but for this subsection) be applicable under subsections (a)(1)(B) and (b)(2) for the taxable year an amount equal to one-half of such dollar amounts.

"(2) Determination of marital status.—For purposes of this subsection, marital status shall be determined under section 143.

"(d) Carryover of Farm Operating Losses.—The amount not allowed as a deduction by reason of subsection (a) for any taxable year shall be treated as a deduction attributable to the trade or business of farming in the following taxable year.

"(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) BONA FIDE FAMILY FARM CORPORATION.—

"(A) IN GENERAL.—The term 'bona fide family farm corporation' means a corporation engaged in the trade or business of farming—

"(i) of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote, and more than 50 percent of that total number of shares of all other classes of stock of the corporation, are owned by members of the same family,

"(ii) which owns farming property where at least one shareholder is actively and primarily engaged in the operation of the farm for not less than 6 months of the taxable year, and

"(iii) no shareholder of which is a corporation.

"(B) MEMBERS OF THE SAME FAMILY.—The members of the same family are an individual, such individual's brothers and sisters (whether by the whole or half blood), ancestors and lineal descendants of such individual, a spouse of any of the foregoing, and the estate of any of the foregoing.

"(2) INFLATION ADJUSTMENT.—The inflation adjustment applicable to a calendar year is the percentage change in the Consumer Price Index for All Urban Consumers (published by the Department of Labor) during the period beginning on July 1, 1980, and ending on June 30 of such calendar year.

"(3) NONFARM ADJUSTED GROSS INCOME.—The term 'nonfarm adjusted gross income' means adjusted gross income computed without regard to income and deductions attributable to the trade or business of farming.

"(4) INCOME AND DEDUCTIONS.—The determination of whether any item of income is derived from the trade or business of farming and whether any deduction is attributable to the trade or business of farming shall be made under regulations prescribed by the Secretary.

"(5) SEVERAL TRADES OR BUSINESSES OF FARMING.—In the case of a taxpayer engaged in more than one trade or business of farming, all such trades or businesses of the taxpayer shall be treated as one trade or business.

"(6) **PARTNERSHIPS, TRUSTS, AND BONA FIDE FAMILY FARM CORPORATIONS.**—A trade or business of farming carried on by a partnership, trust, or bona fide family farm corporation shall be treated as carried on by the members of such partnership, the beneficiaries of such trust, or the shareholders of such bona fide family farm corporation in proportion to their interest in such partnership, trust, or bona fide family farm corporation (as the case may be).".

(b) The table of sections for part IX of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new item:

"Sec. 280D. Limitation on deductions attributable to farming.".

(c) The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

ACCRUAL METHOD OF ACCOUNTING REQUIRED FOR CERTAIN PERSONS ENGAGED IN FARMING

SEC. 503. (a) Subsection (a) of section 447 of the Internal Revenue Code of 1954 (relating to method of accounting for corporations engaged in farming) is amended to read as follows:

"(a) **ACCRUAL METHOD OF ACCOUNTING.**—

"(1) GENERAL RULE.—In the case of any person engaged in the trade or business of farming whose gross income from farming exceeds the sum of—

"(A) $100,000, and

"(B) in the case of a taxable year ending after December 31, 1980, $100,000 multiplied by the inflation adjustment applicable to the calendar year ending in the taxable year,

the taxable income from farming of such person shall be computed on the accrual method of accounting and with the capitalization of preproductive expenses described in subsection (b). This subsection shall not apply to the trade or business of operating a nursery or to the raising or harvesting of trees (other than fruit and nut trees).

"(2) INFLATION ADJUSTMENT.—For purposes of paragraph (1), the inflation adjustment shall be the inflation adjustment provided by section 280D(e)(2).".

(b)(1) Subsections (c), (d), and (e) of section 447 of the Internal Revenue Code of 1954 (relating to method of accounting for corporations engaged in farming) are hereby repealed.

(2) Subsections (f) and (g) of section 447 of such Code are redesignated as subsections (c) and (d), respectively.

(3) The section heading of section 447 of such Code is amended to read as follows:

"SEC. 447. METHOD OF ACCOUNTING FOR CERTAIN PERSONS ENGAGED IN FARMING.".

(4) The table of sections for subpart A of part II of subchapter E of chapter 1 of such Code is amended by striking out the item relating to section 447 and inserting in lieu thereof the following new item:

"Sec. 447. Method of accounting for certain persons engaged in farming.".

(c) The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

CAPITAL GAINS TAX APPLICABLE TO TRANSFER OF RURAL LAND BY FOREIGN INVESTORS

SEC. 504. (a)(1) Section 871 of the Internal Revenue Code of 1954 (relating to tax on nonresident alien individuals) is amended by redesignating subsection (g) as subsection (h), and by inserting after subsection (f) the following new subsection:

"(g) GAINS FROM SALE OR EXCHANGE OF FARMLAND OR OTHER RURAL LAND.—In the case of a nonresident alien individual, there shall be treated as gross income which is effectively connected with the conduct of a trade or business within the United States—

"(1) gain from the sale or exchange of real property located in the United States which is—

"(A) land used in farming (as defined in section 180(b)),

"(B) land suitable for use in farming (as defined in section 182(c)(2)), or

"(C) land in a rural area (within the meaning of paragraph (7) of section 306(a)) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(7)), and

"(2) that portion, in excess of $3,000 for the taxable year, of the gain from the sale or exchange of stock in a corporation, or interest in a partnership, trust, or estate, determined by the Secretary to be properly attributable to—

"(A) the net unrealized appreciation in land described in paragraph (1) which is held by such corporation, partnership, trust, or estate, or

"(B) in the case of the sale or exchange of stock in a corporation, the gain, if any, realized by such corporation on the sale of property described in paragraph (1) which was not recognized by such corporation under section 337.

Any such gain shall be taxable as provided in subsection (b)(1) whether or not such individual is engaged in trade or business within the United States during the taxable year.".

(2) Section 882 of the Internal Revenue Code of 1954 (relating to tax on income of foreign corporations connected with United States business) is amended by adding at the end thereof the following new subsection:

"(g) Gains From Sale or Exchange of Farmland or Other Rural Land.—In the case of a foreign corporation, there shall be treated as gross income which is effectively connected with the conduct of a trade or business within the United States—

"(1) gain from the sale or exchange of real property located in the United States which is—

"(A) land used in farming (as defined in section 180(b)),

"(B) land suitable for use in farming (as defined in section 182(c)(2)), or

"(C) land in a rural area (within the meaning of paragraph (7) of section 306(a)) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(7)), and

"(2) that portion, in excess of $3,000 for the taxable year, of the gain from the sale or exchange of stock in a corporation, or interest in a partnership, trust, or estate, determined by the Secretary to be properly attributable to—

"(A) the net unrealized appreciation in land described in paragraph (1) which is held by such corporation, partnership, trust, or estate, or

"(B) in the case of the sale or exchange of stock in a corporation, the gain, if any, realized by such corporation on the sale of property described in paragraph (1) which was not recognized by such corporation under section 337.

Any such gain shall be taxable as provided in subsection (a)(1) whether or not such corporation is engaged in trade or business within the United States during the taxable year.".

(3)(A) Subparagraph (B) of section 864(c)(1) of such Code is amended by striking out "section 871(d) or sections 882 (d) and (e)" and inserting in lieu thereof "sections 871 (d) and (g) and sections 882 (d), (e), and (g)".

(B) Paragraph (2) of section 871(a) of such Code is amended by striking out "paragraph (1) or subsection (b)" and inserting in lieu thereof "paragraph (1), subsection (b), or subsection (g)".

(C) Subparagraph (A) of section 871(d)(1) of such Code is amended by inserting "(other than gains described in subsection (g))" after "sale or exchange of such real property".

(D) Subparagraph (A) of section 882(d)(1) of such Code is amended by inserting "(other than gains described in subsection (g))" after "sale or exchange of such real property".

(b)(1) The first sentence of subsection (b) of section 1441 of the Internal Revenue Code of 1954 (relating to withholding of tax on nonresident aliens) is amended by striking out "or 631 (b) or (c)", and inserting in lieu thereof "631 (b) or (c), or 871(g)".

(2) Subsection (a) of section 1442 of such Code (relating to withholding of tax on foreign corporations) is amended by inserting "the reference in section 1441(b) to section 871(g) shall be treated as referring to section 882(g)," after "sections 881(a) (3) and (4),".

(c)(1) Subpart A of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1954 (relating to information concerning persons subject to special provisions) is amended by adding at the end thereof the following new section:

"SEC. 6039C. INFORMATION CONCERNING CERTAIN HOLDINGS OF UNITED STATES PROPERTY BY FOREIGN CORPORATIONS.

"Every foreign corporation, 20 percent or more of the value of the assets of which at any time during the taxable year is attributable to land described in section 882(g)(1), shall make a return for the taxable year setting forth such information as the Secretary may by regulation prescribe for the purpose of enforcing sections 871 and 882.".

(2) The table of sections for such subpart is amended by adding at the end thereof the following new item:

"Sec. 6039C. Information concerning certain holdings of United States property by foreign corporations.".

(d) Sections 894 and 7852(d) of the Internal Revenue Code of 1954 shall not apply after the period which begins on the date of the enactment of this Act and ends five years after such date with respect to sales and exchanges of farmland and other rural land to which section 871(g) or 882(g) of such Code applies.

(e) The amendments made by subsection (a) shall apply to sales and exchanges of farmland or other rural land on and after the date of the enactment of this Act. The amendments made by subsection (c) shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE VI—FAMILY FARM OWNERSHIP PROGRAM

ESTABLISHMENT OF GRANT PROGRAM

SEC. 601. (a) The Secretary, acting through the Farmers Home Administration, may make grants to units of general local government and nonprofit private organizations which submit an application to the Secretary under subsection (b) to purchase land suitable for farming in accordance with the provisions of section 603(a) and to sell such land, in accordance with the provisions of section 603(b), to individuals who are new or young farmers.

(b) Any applicant which desires to receive a grant under this section shall submit an application to the Secretary in such form, and in accordance with such procedures, as the Secretary may require by rule. Any such application shall—

(1) provide assurances that the interests of farmers will be strongly represented in any action taken by the applicant under this title;

(2) provide assurances that the applicant has the legal authority to purchase and sell real estate;

(3) indicate the standards which will be used by the applicant—

(A) in purchasing any land in accordance with the provisions of section 603(a); and

(B) in selecting an individual to purchase land under section 604; and

(4) provide such additional information as the Secretary considers necessary to carry out the provisions of this title.

(c)(1) Subject to the provisions of paragraph (2) through paragraph (4), the Secretary may award a grant to any applicant which meets the requirements of this section.

(2) In awarding any such grant, the Secretary shall give priority to those applicants which demonstrate that the pres-

ervation of family farming is of vital importance to the area in which the applicant is located.

(3) During any calendar year, the Secretary shall not award more than ten such grants to applicants which are located in the same State.

(4) The amount of any such grant shall be determined by the Secretary but shall not be less than $100,000 or more than $500,000.

(5) Any such grant shall be subject to the provisions of this title and to such terms and conditions as the Secretary may require by rule.

ESTABLISHMENT OF REVOLVING FUND ACCOUNTS OF GRANT RECIPIENTS

SEC. 602. (a) Any grant recipient shall deposit all funds awarded under section 601(c) in a revolving fund account which is established and maintained in accordance with rules prescribed by the Secretary.

(b)(1) At all times, to the extent possible, the sum of—

(A) the amount of funds in the revolving fund account of a grant recipient; and

(B) the fair market value of land purchased under section 603(a) by such grant recipient;

shall equal an amount which is not less than the sum of all funds awarded to such grant recipient under section 601(c).

(2) In any case in which the difference between the amount determined under paragraph (1) with respect to a grant recipient and all funds awarded to such grant recipient under section 601(c) is so large that the Secretary considers such amount to be inconsistent with the objectives of this title, the Secretary may require the grant recipient to implement any corrective measure which the Secretary considers advisable.

(c)(1) At any time that a grant recipient ceases to maintain a revolving fund account or ten years after the date of the enactment of this Act, whichever occurs first, the grant recipient shall pay to the Secretary an amount equal to the amount of all funds awarded to the grant recipient under section 601(c).

(2) Any grant recipient which the Secretary determines to be in noncompliance with the provisions of this section shall be liable, at the discretion of the Secretary, for the amount of all funds awarded and paid under section 601(c) to such grant recipient. The Secretary may bring a civil action in an appropriate district court of the United States for the payment of such funds.

(3) All funds received by the Secretary under this section shall be deposited by the Secretary in the general fund of the Treasury.

PURCHASE AND SALE OF FARMS BY GRANT RECIPIENTS

SEC. 603. (a) Funds maintained in a revolving fund account in accordance with section 602 may be used by the grant recipient to purchase one or more of the following:

(1) any parcel of land which is suitable for farming;

(2) any parcel of land which is suitable to be divided into two or more parcels of land which are suitable for farming; and

(3) any parcel of land which may be combined with any adjacent parcel of land to create a parcel which is suitable for farming.

(b)(1) Subject to the provisions of paragraph (2) and section 605, any land purchased under subsection (a) shall be sold to any new or young farmer selected under section 604.

(2) No parcel of land may be sold under paragraph (1) in any case in which such parcel exceeds the lesser of—

(A) twice the average size of all farms located in the county in which such land is located; or

(B) six hundred and forty acres.

(3) All funds received by any grant recipient from the sale of any land under paragraph (1) shall be deposited in the revolving fund account of such grant recipient.

(c) After the sale of any land by a grant recipient under subsection (b), such grant recipient shall provide any financial or technical advice which such grant recipient considers necessary to assist the individual who purchases such land with the utilization and maintenance of such land.

SELECTION OF PURCHASER

SEC. 604. (a) Any individual who is a new or young farmer and who desires to purchase any land from a grant recipient may submit an application to such grant recipient in such form, and in accordance with such procedures, as such grant recipient may require. Any such application shall provide assurances that such individual is financially responsible and shall contain such additional information as such grant recipient considers necessary.

(b) In accordance with standards approved by the Secretary, the grant recipient may select any individual who meets the requirements of subsection (a) and who meets such standards.

(c) Any individual who is selected under subsection (b) to purchase any land under section 603(b) shall be eligible to apply for loans under sections 310D and 311 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1934, 1941). Loans made to such individual under either of such sections shall be at a rate of interest not to exceed 75 per centum of the average annual interest rate payable on all interest-bearing obligations of the United States issued in the most recent, complete fiscal year preceding the date on which such loan is made.

CONDITIONS OF SALE

SEC. 605. (a) Any land sold under section 603(b) shall be used solely for a farming operation and no structure shall be erected on such farm which is inconsistent with a farming operation.

(b) Any grant recipient which sells any land under section 603(b) shall be given, by the purchaser of such land selected under section 604, a written option to purchase such land—

(1) at the price at which such land was sold to such purchaser in any case in which such purchaser or his heirs sell such land during the period beginning on the date such purchaser purchased such land from such grant recipient and ending two years after such date; or

(2) at the fair market value of such land, as determined by the Secretary on the date such option is exercised, in any case in which such purchaser or his heirs sell such land during the period beginning two years after the date on which such purchaser purchased such land from such grant recipient and ending five years after such date of purchase.

RULES

SEC. 606. Not later than ninety days after the date of the enactment of this Act, the Secretary shall promulgate rules to carry out the provisions of this title, including rules—

(1) for applications submitted under section 601(b); and

(2) regarding the establishment and maintenance of any revolving fund account.

DEFINITIONS

SEC. 607. For purposes of this title—

(1) the term "applicant" means a county or local government or a nonprofit community organization which submits an application under section 601(b);

(2) the term "grant recipient" means any applicant which receives a grant under section 601(c); and

(3) the term "revolving fund account" means any revolving fund account established and maintained under section 602.

AUTHORIZATION OF APPROPRIATIONS

SEC. 608. There is authorized to be appropriated for each of the fiscal years 1981 through 1989 $200,000,000 to carry out the provisions of this title.

TITLE VII—INDUSTRIAL HYDROCARBONS AND ALCOHOLS

FINANCIAL ASSISTANCE FOR PRODUCTION OF INDUSTRIAL HYDROCARBONS AND ALCOHOLS

SEC. 701. The Secretary may make loans, and may guarantee loans made by any legally organized lending institution for the construction and first year of operation of facilities to produce industrial hydrocarbons and alcohols from agricultural commodities, forest products, and the byproducts of such commodities and such products for direct use, or for blending with any fossil fuel to be used, as motor or industrial fuel. The Secretary may make and guarantee loans under this section to persons and governmental entities which submit applications in accordance with section 702 and which are eligible under section 703.

APPLICATION FOR FINANCIAL ASSISTANCE

SEC. 702. To request any loan or loan guaranty under section 701, a person or governmental entity shall submit for approval by the Secretary an application in such form, and containing such information, as the Secretary may require by rule.

ELIGIBILITY FOR FINANCIAL ASSISTANCE

SEC. 703. (a) Any producer who operates a family farm or a group of such producers, any private nonprofit organization, and any State or unit of local government of any State which applies for any loan or loan guaranty under section 701, is eligible to receive such loan or loan guaranty.

(b) An applicant for a loan or a loan guaranty under section 701 shall enter into an agreement with the Secretary which shall include assurances (in addition to any assurances the Secretary may require by rule) made by such applicant that if such applicant receives a loan made or guaranteed by the Secretary under such section, then—

(1) the operator of the facility with respect to which the loan involved is made or guaranteed will, during the period beginning on the date such loan is made and ending five years after the date such loan is repaid—

(A) distribute any industrial hydrocarbons and alcohols produced at such facility in the region in which such facility is located;

(B) use contaminated agricultural commodities, contaminated forest products, and contaminated byproducts of such commodities and such products to produce such industrial hydrocarbons and alcohols if such facility has the capacity to use such commodities, such products, and such byproducts for such production;

(C) purchase for such production at such facility any agricultural commodity or any forest product with respect to which the Secretary has in effect a loan program only at a rate which equals or exceeds the loan rate applicable to such commodity or such product under such program;

(D) purchase from a producer or handler, in the case of an agricultural commodity which is subject to a marketing agreement or a marketing order, such commodity at a price which does not exceed 90 per centum of the current wholesale market price paid for such commodity in the marketing area in which such facility is located; and

(E) pay a producer for such commodities, such products, and such byproducts with industrial hydrocarbons and alcohols, and any other products, produced at such facility if such producer requests payment in kind in lieu of payment in cash; and

(2) such applicant will—

(A) in the case of a loan made by the Secretary, repay upon demand by the Secretary as provided in section 705(a) the outstanding amount of such loan (including interest accrued); and

(B) pay the Secretary damages as provided in section 705(b);

for the failure of such operator to comply with any assurance required in paragraph (1) and made by such applicant.

LIMITATIONS ON FINANCIAL ASSISTANCE

SEC. 704. (a) The amount of any loan made or guaranteed by the Secretary under section 701 to construct and operate a facility described in such section—

(1) shall not exceed $50,000 if such facility has a maximum production capacity which does not exceed 100,000 gallons per annum;

(2) shall not exceed $500,000 if such facility has a maximum production capacity which exceeds 100,000 gallons per annum but does not exceed 500,000 gallons per annum; and

(3) shall not exceed $1,000,000 if such facility has a maximum production capacity which exceeds 500,000 gallons per annum.

(b)(1) The term of any loan made or guaranteed by the Secretary under section 701 shall not exceed twenty years.

(2) The rate of interest payable annually on any loan made by the Secretary under section 701 shall not exceed 75 per centum of the average annual interest rate payable on all interest-bearing obligations of the United States issued in the most recent, complete fiscal year preceding the date on which such loan is made.

(c) In providing loans and loan guaranties under section 701, the Secretary shall give priority to those applicants who demonstrate an intention to produce industrial hydrocarbons and alcohols from a variety of agricultural commodities, forest products, and byproducts of such commodities and such products.

(d) No loan or loan guaranty shall be provided by the Secretary under section 701 unless the applicant involved demonstrates that the total energy content of the industrial hydrocarbons and alcohols, and the byproducts of such industrial hydrocarbons and alcohols, to be produced at the facility involved exceeds the total energy content of the fossil fuels to be used at such facility to produce such industrial hydrocarbons and alcohols.

NONCOMPLIANCE WITH CONDITIONS APPLICABLE TO RECEIVING FINANCIAL ASSISTANCE

SEC. 705. (a) If the operator of any facility with respect to which the Secretary has made or guaranteed a loan under section 701 fails in the time such loan is outstanding to comply with any assurance required in section 703(b)(1) and made by the applicant for such loan or such loan guaranty, then the Secretary shall demand repayment of the loan made by the Secretary (including interest accrued) or shall cancel such loan guaranty, as the case may be.

(b) If the operator of any facility with respect to which the Secretary has made or guaranteed a loan under section 701 fails to comply with any assurance required in section 703(b)(1) and made by the applicant for such loan or such loan guaranty—

(1) while such loan is outstanding in the five-year period ending on the maturity date of such loan; or

(2) in the five-year period beginning on the date such loan is repaid or is required to be repaid;

then such applicant shall pay to the Secretary, in addition to any amount required to be paid under section 703(b)(2)(A), damages equal to 20 per centum of the amount of the loan made or guaranteed. The penalty established in this subsection shall not apply to more than one failure to comply with any such assurance given by such applicant with respect to the loan or loan guaranty involved.

EXEMPTION OF SURPLUS COMMODITIES FROM MARKETING AGREEMENTS AND MARKETING ORDERS

SEC. 706. The sale, or handling for sale, of any amount of a surplus quantity of an agricultural commodity shall be deemed not to violate any marketing agreement or marketing order applicable to such commodity if such surplus quantity is sold by the producer or handler who is subject to such marketing agreement or such marketing order to the operator of a facility with respect to which the Secretary has made or guaranteed a loan under section 701.

DEFINITIONS

SEC. 707. For purposes of this title—

(1) the term "handler" means any person who is included in the term "handlers" described in section 8c(1) of the Agricultural Adjustment Act (7 U.S.C. 608c(1)), reenacted with amendments by subsection (e) of the first section of the Agricultural Marketing Agreement Act of 1937 (Public Law 137; 50 Stat. 246);

(2) the term "marketing agreement" refers to a marketing agreement entered into by the Secretary under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (Public Law 137; 50 Stat. 246);

(3) the term "marketing order" refers to a marketing order issued by the Secretary under the Agricultural Adjustment Act (7 U.S.C. 601 et seq.), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (Public Law 137; 50 Stat. 246); and

(4) the term "surplus quantity" means the quantity of an agricultural commodity—

(A) which is produced in a specific period by a producer who has entered into any marketing agreement, or who is subject to any marketing order, applicable to such commodity and such period; and

(B) which exceeds the quantity of such agricultural commodity specified in such marketing agreement or such marketing order.

AUTHORIZATION OF APPROPRIATIONS

SEC. 708. There is authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983—

(1) $5,000,000 for the construction and operation of facilities described in section 704(a)(1); and

(2) $15,000,000 for the construction and operation of facilities described in paragraph (2) and paragraph (3) of section 704(a).

TITLE VIII—FARM MARKETING PROGRAMS

FARMER COOPERATIVE SERVICE

SEC. 801. (a) The first section of the Act entitled "An Act to create a division of cooperative marketing in the Department of Agriculture; to provide for the acquisition and dissemination of information pertaining to cooperation; to promote the knowledge of cooperative principles and practices; to provide for calling advisers to counsel with the Secretary of Agriculture on cooperative activities; to authorize cooperative associations to acquire, interpret, and disseminate crop and market information, and for other purposes", approved July 2, 1926 (7 U.S.C. 451), (hereinafter in this section referred to as the "Act of July 2, 1926") is amended by inserting before the period at the end thereof the following: "; and the term 'small- and moderate-sized family farmer' has the same meaning such term has in section 1003(7) of the Family Farm Development Act of 1980".

(b) Section 3(a) of the Act of July 2, 1926 (7 U.S.C. 453(a)), is amended to read as follows:

"(a) The division shall render services (including technical, managerial, financial, statistical, information-dispersal, and technical services)—

"(1) to associations of producers of agricultural products, and federations and subsidiaries thereof, which have a membership comprised primarily of small- and moderate-sized family farmers and which are engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities; and

"(2) to small- and moderate-sized family farmers wishing to establish cooperatives for such cooperative marketing of agricultural products.".

(c) Section 3(b) of the Act of July 2, 1926 (7 U.S.C. 453(b)), is amended—

(1) by striking out "The division is authorized—" and inserting in lieu thereof the following: "The division is authorized to carry out the following activities, with particular emphasis on the needs, problems, and characteristics of small- and moderate-sized family farm cooperatives:"; and

(2) by adding at the end thereof the following new paragraphs:

"(8) To coordinate these activities concerning the provision of direct assistance to small- and moderate-sized family farm cooperatives with similar assistance activities being carried out by the Extension Service, the Agricultural Stabilization and Conservation Service, and State departments of agriculture for the purpose of insuring maximum awareness by such cooperatives of the sources and availability of marketing information and technical assistance.

"(9) To carry out the provisions of paragraphs (1) through (8) through grants made on a contractual basis with individuals and groups which are involved in such activities or which have the expertise to carry out such activities.".

(d) Section 6 of the Act of July 2, 1926 (7 U.S.C. 456), is amended by striking out "such additional sums as may be necessary thereafter" and all that follows through the period at the end of such section and inserting in lieu thereof "$6,000,000 for fiscal year 1981 and $6,000,000 for each fiscal year thereafter is hereby authorized to be appropriated to carry out the provisions of this Act.".

AMENDMENTS TO NATIONAL SCHOOL LUNCH ACT

SEC. 802. (a) Section 22 of the National School Lunch Act (42 U.S.C. 1769c), as added by the Child Nutrition Amendments of 1978 (Public Law 95–627; 92 Stat. 3623), is redesignated as section 23.

(b) The National School Lunch Act (42 U.S.C. 1751–1769c) is amended by adding at the end thereof the following new section:

"SEC. 24. (a) In addition to any other cash payment the Secretary is authorized to make under this Act, the Secretary shall distribute to any State educational agency which receives commodities purchased with funds appropriated under section 32 of the Act of August 24, 1935 (49 Stat. 774), and donated under this Act, upon the application of such State educational agency, cash payments in such amounts as may be provided in appropriation Acts, in lieu of not to exceed 25 per centum of the value of the commodities such State educational agency would have received under this Act but for this subsection.

"(b) Any funds received by a State educational agency under subsection (a) shall be used to purchase program commodities designated from time to time by the Secretary as being in abundance nationally, or by the Secretary or the chief executive officer of the State involved as being in abundance in the school area.".

AGRICULTURAL MARKETING SERVICE

SEC. 803. (a) Section 202 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621) is amended—

(1) in the second sentence by striking out "and through cooperation" and all that follows through "and private industry" and inserting in lieu thereof "evaluation, and through cooperation among Federal and State agencies, farm organizations, farmers, private industry, groups, and individuals"; and

(2) in the third sentence—

(A) by inserting "small- and moderate-sized family farm cooperatives, small- and moderate-sized family farmers, groups," after "producers, industry organizations,";

(B) by inserting "compilation and evaluation of all marketing research and demonstration projects (including pinpointing those with the strongest potential application on a national basis for helping small- and moderate-sized family farmers gain better access to markets)," after "agricultural products through research,"; and

(C) by inserting "that the small- and moderate-sized family farmer may better be able to utilize existing markets," after "consumer may be narrowed,".

(b) Section 207 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1626) is amended by striking out "and" the ninth place it appears therein, and inserting before the period at the end thereof the following: ", and the term "small- and moderate-sized family farmer" when used in this title has the same meaning such term has in section 1003(7) of the Family Farm Development Act of 1980.".

COMPUTERIZED MARKETING FOR AGRICULTURAL PRODUCTS

SEC. 804. (a) The Secretary shall establish and carry out in twelve States pilot projects utilizing computer terminals in county extension offices for the purpose of facilitating direct marketing by farmers through (1) the development of a data assimilation and dissemination program for the assurance of current and reliable supply, price, cost, and regulatory information; (2) development and dissemination of more cost-effective operational information; (3) development of a foundation of budgeting information for market plannin , and decisionmaking; and (4) industrywide performance comparisons which test the possibilities of using computers foı the purpose of assisting small- and moderate-sized family farmers to acquire information which will clarify various market alternatives, taking into consideration transportation costs, prices at various locations, and other factors. After operating the pilot projects for two years, the Secretary shall evaluate the potential of such projects for helping small- and moderate-sized family farmers. Such evaluation shall include determinations of the number of farmers and types of farmers, according to farm size, who use the services of such projects, the frequency of such use, and a cost-benefit analysis of such projects. The Secretary shall submit to the Congress a report containing the results of such evaluation and his recommendations concerning continuation, curtailment, or expansion of such projects.

(b) There are authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983 $500,000 to carry out the provisions of subsection (a).

FEDERAL-STATE DIRECT MARKETING PROGRAM

SEC. 805. (a) The Secretary may make grants, under contracts or other arrangements, for the purpose of establishing and operating statewide systems of direct marketing between consumers and farmers. Such grants may only be made to a State agency or nonprofit organization which, on the basis of its proposal or application for establishing or operating such a system and such other information as the Secretary may require, the Secretary determines (1) is qualified to establish and operate the system; and (2) has sufficient funds available to pay its share of the costs of establishing and operating the system.

(b) The Secretary shall determine the amount of a grant under this section, but such amount may not exceed 75 per centum of the cost of establishing and operating the direct marketing system with respect to which such grant is made.

(c) Any contract or other arrangement made with a State agency or nonprofit organization for the establishment and operation of a statewide system of direct marketing under this section shall contain or be subject to the following provisions:

(1) provisions ensuring that the direct-marketing program will include an efficient method of dispersing information to farmers, consumers, buyers, and other interested persons on the benefits of direct marketing and on the availability of Federal and State assistance (including technical, managerial, and financial assistance) to encourage direct marketing between consumers and farmers;

(2) provisions ensuring that such program will include means for involving farmers, consumers, and other buyers in the statewide direct marketing system, including means for handling transportation of commodities and promotion of such system;

(3) provisions ensuring that appropriate storage and sales facilities will be used in the program and will be located throughout the State in both rural and urban areas;

(4) provisions ensuring that the operation of the various markets in the program will be coordinated and that surpluses will be distributed among the various markets;

(5) such accounting procedures and other provisions ensuring that the establishment costs and operating costs of the program are properly estimated and accounted for; and

(6) such other provisions as the Secretary determines are appropriate to carry out the provisions of this section and to protect the financial interests of the United States.

(d) There is authorized to be appropriated for each of the fiscal years 1981, 1982, and 1983 $75,000,000 to carry out subsections (a), (b), and (c).

(e)(1) Section 5(a) of the Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. 3004(a)) is amended—

(A) by striking out "State departments of agriculture" in the first sentence of such section and inserting in lieu thereof "nonprofit organizations, State departments of agriculture,";

(B) by striking out "the State department of agriculture" in the second sentence of such section and inserting in lieu thereof "nonprofit organizations operating in the State, the State department of agriculture,"; and

(C) by striking out "these two agencies" in such second sentence and inserting in lieu thereof "such agencies and organizations".

(2) Section 6 of such Act (7 U.S.C. 3005) is amended by striking out "and the State departments of agriculture" and inserting in lieu thereof ", the State departments of agriculture, and nonprofit organizations".

TITLE IX—FOOD PRICE STABILIZATION

PART A—FOOD PRICE STABILIZATION

PRESIDENTIAL AUTHORITY

SEC. 911. (a) The President is hereby authorized to issue such orders and rules as he may deem appropriate to stabilize prices of food at the levels recommended by the Food Price Review Board under section 922(b). Any such order or rule shall be transmitted to both Houses of the Congress and shall become effective as provided in subsection (b).

(b)(1) Any order or rule issued by the President under subsection (a) shall become effective on the first day following the first period of sixty calendar days of continuous session of the Congress after the date on which copies of such order or such rule are transmitted to each House of the Congress, unless within such period the Congress adopts a concurrent resolution disapproving such order or such rule.

(2) For purposes of paragraph (1)—

(A) continuity of session is broken only by an adjournment of the Congress sine die; and

(B) the days on which either House is not in session because of an adjournment of more than three days to a day certain shall be excluded in the computation of any period of time in which the Congress is in continuous session.

(3) For purposes of paragraph (1), the term "concurrent resolution" means a concurrent resolution of the Congress, the matter after the resolving clause of which is as follows: "That the Congress does not favor the   transmitted to the Congress by the President on   , regarding the stabilization of prices of food under section 911(a) of the Family Farm Development Act of 1980.", the first blank space being filled with "order" or "rule", as the

case may be, and the second blank space being filled with the appropriate date.

DELEGATION

SEC. 912. The President may delegate the performance of any function under this part to such officers, departments, and agencies of the United States as he may deem appropriate.

INJUNCTIONS

SEC. 913. Whenever it appears to any person authorized by the President to exercise authority under this part that any individual or organization has engaged, is engaged, or is about to engage in acts or practices constituting a violation of any order or rule under this part, such person may request the Attorney General of the United States to bring an action in the appropriate district court of the United States to enjoin such acts or practices. Upon a proper showing a temporary restraining order or a preliminary or permanent injunction shall be granted without bond. Any such court may also issue mandatory injunctions commanding any person to comply with any such order or rule. In addition to such injunctive relief, any such court may also order restitution of funds received in violation of any such order or rule.

PART B—FOOD PRICE REVIEW BOARD

ESTABLISHMENT OF FOOD PRICE REVIEW BOARD

SEC. 921. There is hereby established the Food Price Review Board.

DUTIES OF BOARD

SEC. 922. (a) The Board shall monitor increases in the price of any food. In any case in which the Board considers it necessary, the Board may conduct hearings and investigations to determine if the amount of any increase in the price of any food is equal to the amount of any increase in the price received by the grower or producer of any raw food involved.

(b) In any case in which the Board determines under subsection (a) that the amount of any increase in the price of any food is marginally greater than the amount of any increase in the price received by the grower or producer of any raw food involved, the Board shall recommend to the President for purposes of section 911(a) that the amount of any increase in the price of such food should be limited to the amount which the Board determines is equal to the amount of the price increase received by the grower or producer of any raw food involved.

COMPOSITION OF BOARD

SEC. 923. (a) The Board shall be composed of nine members as follows:

(1) three members appointed by the President, by and with the advice and consent of the Senate, from among individuals who are active farmers and who will represent the views of farmers;

(2) three members appointed by the President, by and with the advice and consent of the Senate, from among individuals who will represent the views of consumers of food;

(3) two members appointed by the President, by and with the advice and consent of the Senate, from among individuals who will represent the views of persons who process, distribute, and sell food; and

(4) the Assistant Secretary for Food and Consumer Services, Department of Agriculture, or his delegate.

(b)(1) Except as provided in paragraph (2), members of the Board appointed by the President shall serve for terms of six years.

(2) Of the members first appointed by the President, one-half of such members shall be appointed for terms of three years.

(3) Any member appointed by the President to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term.

(4) A vacancy in the Board shall be filled in the same manner in which the original appointment was made.

(c)(1) Except as provided in paragraph (2), any member of the Board who is an officer or employee of the Federal Government shall serve without compensation for his services as such. Any other member of the Board shall receive the daily equivalent of the annual rate of basic pay then payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day during which such member is engaged in the performance of the duties of the Board.

(2) While away from their homes or regular places of business in the performance of services for the Board, members of the Board who are not full-time officers or employees of the United States shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5, United States Code.

(d) The Assistant Secretary of Agriculture for Food and Consumer Services or his delegate shall serve as the Chairman of the Board.

(e) Five members of the Board shall constitute a quorum.

(f) The Board shall meet at the call of the Chairman or a majority of the members of the Board.

STAFF OF BOARD

SEC. 924. The Secretary may detail such personnel and administrative support services of the Department as he considers necessary to assist the Board in carrying out its duties under this part.

POWERS OF BOARD

SEC. 925. (a) The Board may, for the purpose of carrying out this part, hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Board considers advisable. The Board may administer oaths and affirmations to witnesses appearing before the Board.

(b)(1) The Board shall have power to issue subpenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation by the Board. Such attendance of witnesses and the production of such evidence may be required from any place within the United States at any designated place of hearing within the United States.

(2) If a person issued a subpena under paragraph (1) refuses to obey such subpena or is guilty of contumacy, any court of the United States within the judicial district within which the hearing involved is conducted or within the judicial

district within which such person is found, resides, or transacts business may upon application by the Board order such person to appear before the Board to produce evidence or to give testimony relating to the matter under investigation. Any failure to obey such order of the court may be punished by such court as a contempt of such court.

(3) The subpenas of the Board shall be served in the manner provided for subpenas issued by a district court of the United States under the Federal Rules of Civil Procedure for the district courts of the United States.

(4) Any process of any court to which application may be made under this section may be served in the judicial district in which the person required to be served resides or may be found.

(c) When so authorized by the Board, any member or agent of the Board may take any action which the Board is authorized to take by this section.

(d) Subject to the provisions of section 552a of title 5, United States Code, the Board may secure directly from any Federal agency information necessary to enable it to carry out its duties under this part. Upon request of the Chairman, the head of any such Federal agency shall furnish such information to the Board.

(e) The Board may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States.

DEFINITIONS

SEC. 926. For purposes of this part—

(1) the term "Board" means the Food Price Review Board established in section 921; and

(2) the term "Chairman" means the Chairman of the Board, designated under section 923(e).

TITLE X—MISCELLANEOUS AMENDMENTS; DEFINITIONS

AMENDMENTS TO FEDERAL TRADE COMMISSION ACT

SEC. 1001. The Federal Trade Commission Act (15 U.S.C. 41–58) is amended—

(1) by redesignating sections 20 and 21 as sections 21 and 22, respectively; and

(2) by inserting after section 19 the following new section:

"SEC. 20. It shall be an unfair or deceptive act or practice in or affecting commerce within the meaning of section 5(a)(1) for any person, partnership, or corporation engaged in the retail sale of any food in commerce to sell any such food in any case in which such person, partnership, or corporation does not display a sign at the point of retail sale—

"(1) in a manner consistent with rules promulgated by the Commission; and

"(2) containing the amount received by farmers, as determined by the Secretary of Agriculture, for the agricultural commodities which were used to produce the food involved.".

AMENDMENTS TO LEGAL SERVICES CORPORATION ACT

SEC. 1002. (a) Section 1007 of the Legal Services Corporation Act (42 U.S.C. 2996f) is amended—

(1) in subsection (a)(2)(C), by inserting ", farmers, and individuals residing in counties which have a population of less than fifty persons per square mile as determined by the Legal Services Corporation according to the latest decennial census of the United States" after "handicapped individuals", and

(2) by adding at the end thereof the following new subsection:

"(i) The Corporation shall make grants to and contracts with recipients and with nonprofit organizations to conduct research, and to serve as clearinghouses to make available to eligible clients information relating to legal issues and governmental administrative practices involving primarily the ownership and operation of farms.".

(b) Section 1010(a) of the Legal Services Corporation Act (42 U.S.C. 2996i) is amended by inserting "(1)" after "(a)", and by adding at the end thereof the following new paragraph:

"(2) In addition to funds authorized to be appropriated under paragraph (1), there is authorized to be appropriated $30,000,000 for fiscal year 1981 for purposes of carrying out section 1007(i) and carrying out the other provisions of this Act in counties which have a population of less than fifty persons per square mile as determined by the Legal Services Corporation according to the latest decennial census of the United States. Twenty-five per centum of any funds appropriated under this paragraph, but not to exceed $1,000,000, shall be used to carry out section 1007(i).".

DEFINITIONS

SEC. 1003. For purposes of this Act—

(1) the term "appropriate technology" means technology which is locally suited, environmentally protective, low cost, economical in use of scarce resources, readily operated, maintained, and repairable, and directly suitable in size and complexity to the task it is to perform;

(2) the term "Department" means the Department of Agriculture;

(3) the term "moderate-sized family farm" means an agricultural unit of moderate size operated and

managed principally by one household primarily engaged in farming;

(4) the term "reservation" means the geographically defined area or areas over which a tribal organization exercises governmental jurisdiction;

(5) the term "Secretary" means the Secretary of Agriculture;

(6) the term "small- and moderate-sized family farm" means a small family farm and a moderate-sized family farm;

(7) the term "small- and moderate-sized family farmer" means a person who operates a small family farm or a moderate-sized family farm;

(8) the term "small family farm" means an agricultural unit operated and managed principally by one household with limited financial, technical, and land resources;

(9) the term "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, any territory or possession of the United States, and the reservation of any Indian tribe whose tribal organization is determined by the Secre-

tary to be capable of administering the program involved;

(10) the term "State agricultural experiment station" means any institution eligible to receive funds under the Act entitled "An Act to establish agricultural experiment stations in connection with the colleges established in the several States under the provisions of an Act approved July second, eighteen hundred and sixty-two, and of Acts supplementary thereto", approved March 2, 1887 (7 U.S.C. 361a–361i), and the Act entitled "An Act to assist the States to provide additional facilities for research at the State agricultural experiment stations", approved July 22, 1963 (7 U.S.C. 390–390k); and

(11) the term "sustainable agriculture" means agriculture designed to produce long-term sustainable yields by avoiding, to the extent practicable, the use of synthetic processes in the soil and by using, to the extent practicable, renewable inputs (including green manure, compost, and animal wastes), to realize yields of a quantity and quality comparable to or greater than yields resulting from conventional agricultural techniques; and

(12) the term "tribal organization" means the recognized governing body of an Indian tribe (including

the tribally recognized intertribal organization of such tribes), as the term "Indian tribe" is defined in the Indian Self-Determination Act (25 U.S.C. 450(b)), and any Indian tribe, band, or community holding a treaty with a State.

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